Falkirk Council

External Audit Progress

Update Report

AUDIT SCOTLAND

Prepared for Falkirk Council Audit Committee

September 2014

Contents

Annual Audit Plan 2013/14

1. Our Annual Audit Plan (AAP) 2013/14 provides a summary of planned outputs for the year and the timescales for delivery. Appendix 1, accompanying this update, provides a summary of progress against the Annual Audit Plan. To date we are on schedule to deliver all outputs by the planned dates.

Governance work

2. **Review of internal audit**. We formally placed formal reliance on internal audit work on trade receivables and also considered their work on the general services capital programme during 2013/14. This allowed us to avoid duplication of effort and focus on other areas of risk. We also met with the Internal Audit Manager on a regular basis throughout the year to discuss audit issues and share information and intelligence.

3. **ICT follow-up audit.** We carried out a follow-up audit on our ICT service review which we reported in 2012/13. We noted that good progress had been made by the council in taking action to mitigate the risks. Our detailed findings are outlined in our follow-up report which is included as a separate agenda item.

4. We are currently reviewing the council's compliance with security measures set out in the Public Services Network (PSN) Code of Connection. The council undertook substantial work last year to obtain a compliance certificate. However, compliance with PSN is an annual process and we are looking at what measures have been taken locally to maintain compliance. Our findings will be reported in our Annual Audit Report for 2013-14 rather than in a separate report.

5. **National Fraud Initiative** (**NFI).** NFI is the biennial data matching exercise whereby computerised techniques are used to compare and match information about individuals held by various public bodies on their financial systems to identify potential fraud or error.

6. The council has a systematic approach to investigating data matches. Internal audit play a key role in co-ordinating NFI work and providing advice to those staff involved in investigating NFI matches. The council has identified several frauds with several others under investigation. These relate mostly to benefits claims. There is scope for improvement particularly in relation to use of blue badges which has attracted a lot of attention in the national media.

Performance

National Performance Studies

7. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. A couple of reports have been published since the last meeting of the Audit Committee in June which will be of interest to members and are summarised below:

8. **Self-directed support (SDS):** This is a major change to the way people with social care needs are supported. SDS aims to improve the impact that care and support has on people's lives by helping them to choose and control what type of social care services they get, when and where they get them, and who provides them. SDS brings significant challenges for councils and third and private sector social care providers.

9. The audit Scotland report examines what progress councils and the Scottish Government have made in implementing SDS. It looks at how well councils have planned to deliver the SDS strategy and legislation. The report is relevant to councils and NHS boards as they establish new partnership arrangements for health and social care.

Key messages

10. Councils still have a substantial amount of work to do to fully implement SDS. Some have made slower progress than others and they will have to implement the cultural and practical changes more quickly over the next few years. Councils need effective leadership from senior managers and councillors and continued support from the Scottish Government through detailed guidance and regular communication on progress with implementation.

11. Councils have adopted different methods of allocating the money they spend on social care to support individuals. There are risks and advantages with each model. Regardless of the approach taken, councils should manage the risks carefully without unnecessarily limiting people's choice and control over their support.

12. SDS will work best if councils make sure that people can choose from a range of different services and support. Councils should work more closely with people who need support, and with their carers, providers and local communities to develop the choices that will improve people's lives.

Key recommendations

Councils should:

- ensure that they have a clear plan and effective arrangements for managing the risks to successfully implementing SDS. They should monitor the risks regularly, and keep councillors and senior managers informed of progress

- plan how they will allocate money to pay for support for everyone who is eligible as demand for services increases. They should have plans for how and when to stop spending money on existing services if too few people choose to use them, and plans to develop and invest in new forms of support for people with social care needs

- assess and report on the risks and benefits of the way they have chosen to allocate money to support individuals. They should monitor and report on budgets and spending on social care services and also take action to lessen the risks of over-spending

- work more closely with people who need support, their carers and families, providers and communities to involve them in planning, agreeing and implementing SDS strategies. They should discuss with people what SDS may mean for them and help them to think creatively about what services would have the most positive impact on their lives

- work more closely with people who need support, their carers and families, third and private sector providers, local businesses and communities to develop a strategy for what social care services and support will be available to people in the future. They should take account of the various challenges faced by different communities, for example those living in rural areas or areas of high deprivation.

The Scottish Government should:

- have a strategy to measure and report on the progress of SDS implementation and the impact of SDS on people who need support

- engage and maintain contact with COSLA, the Association of Directors of Social Work and other key partners to identify guidance and other activities that would help with some of the challenging areas of implementation. Also, share good practice to support councils and other partners as they learn more about what works well and develop their approach.

13. The report is accompanied by a paper that sets out the issues that councillors may wish to consider. It aims to help members pose questions to council officers and seek assurance about progress being made locally.

14. **School Education (June 2014)**: This report assessed how efficiently and effectively councils are using their resources to maximise pupil achievement in schools. It focussed on primary and secondary school education in Scotland.

15. Specifically, the report examined:

- how much councils spend on school education and what they spend it on

- how effectively councils are driving forward improvements in pupil achievement

- how efficiently councils are using their resources to maximise pupil achievement.

Key messages

16. In 2012/13, councils spent £4.8 billion on education services, of which £3.8 billion was spent on primary and secondary education. Around two-thirds of this expenditure (68 per cent) was on staff costs. Councils' spending on education fell by five per cent in real terms between 2010/11 and 2012/13, largely as a result of employing fewer staff. Councils' education services are likely to continue to face budgetary pressures, and they need to be alert to the potential impact of increased workloads on remaining staff.

17. Performance has improved against all ten of the attainment measures we examined over the last decade. However, there is significant variation in attainment between individual councils, schools, and groups of pupils; and there is a considerable gap between Scotland and the top performing countries. Current measures at both national and council level focus on the attainment of secondary pupils at S4-S6 level. There are no comparable measures available at a council and national level on wider achievement, or the performance of pupils from P1-S3.

18. Levels of deprivation have a large influence on attainment. Some schools have achieved better attainment results than their levels of deprivation would indicate, suggesting that the gap between the lowest and highest performing schools cannot be wholly attributed to different levels of deprivation. Closing the gap in performance between schools is likely to be critical to improving overall attainment levels.

19. Councils that have made the most improvements have focused on areas such as developing leadership skills, and improving both teacher quality and systems for monitoring and tracking pupil data. There are also increasing opportunities for pupils to develop a wide range of skills for living and working in the wider world. Councils are starting to target resources to improve both attainment and wider achievement but there is scope to improve strategic planning and strengthen the role of elected members in holding education services to account.

Key recommendations

20. The Curriculum for Excellence represents a significant shift in the way education is delivered in our schools. This has important implications for the economic wellbeing of Scotland, and the future prospects of young people. The recommendations outlined below are intended to support further progress and will involve councils working with key stakeholders.

21. **Councils should**:

- ensure they fully understand why levels of attainment vary between their schools and different groups of pupils

- develop and implement strategies to reduce the gaps in performance between the highest and lowest performing schools

- continue to work with the Scottish Government and Education Scotland to develop a suite of agreed performance measures which would provide an overall picture of educational attainment and achievement across Scotland

- review the sufficiency of information provided to education committees on attainment at S4-S6, pupil performance between P1-S3 and wider achievement. They should also ensure committees have the time and support to adequately challenge and hold to account education services

- develop more coordinated approaches to gathering and recording information on the range of wider achievement activities offered in schools, including the levels of pupil participation and the outcomes they achieve. This will help councils to scrutinise performance and ensure resources are being used as efficiently as possible

- ensure education strategic documents contain clear priorities and actions that set out what is to be achieved in the short, medium and long term. Performance management arrangements should monitor outcomes and report regularly on delivery against strategic objectives, such as raising attainment among the lowest performing pupils

- consistently use the Scottish Local Government Benchmarking Framework to compare their performance against other councils, and share good practice to improve educational attainment and wider achievement

- fully assess the potential long-term impact on attainment and wider achievement of budget reductions

- monitor and act on the impact of revised working practices and staff reductions across all affected groups (e.g., teachers, administrative staff, classroom assistants) on staff wellbeing by, for example, monitoring sickness absence levels, and through specific questions in staff surveys.

22. The report is accompanied by a self-assessment checklist intended to support elected members to hold education services to account by setting out the key issues and questions to ask of officers.

23. Full copies of all our national reports are available for download from the Audit Scotland website (www.audit-scotland.gov.uk).

Local Performance Audit Work

24. In the current year the main focus of our local performance work was on targeted follow-up audits of two national reports:

- Major capital investment in councils (March 2013)

- Arms Length External Organisations (ALEOs): are you getting it right? (June 2011).

25. Our work on ALEOs was reported at the last meeting of the Audit Committee in June.

26. **Major capital investment in councils**: The follow-up audit is being carried out at all 32 councils in Scotland with more detailed work (Stage 2) being carried out at nine selected councils. Falkirk is not one of the councils selected for Stage 2 review.

27. At a local level, the overall aim of this follow-up work is to answer specific audit questions:

- Have the recommendations from the report *Major capital investment in councils* been considered and effectively implemented?

- Do councils have sustainable capital investment plans which reflect strategic priorities?

- Are elected members provided with sufficient information to support effective scrutiny and decision-making?

28. The full report accompanies this update and concludes that the council has many areas of good practice in place, although there are some areas with room for improvement. An improvement action plan has been agreed with management.

Financial statements

29. **Financial statements audit 2013/14.** We received a draft set of accounts with comprehensive supporting working papers on 28 June 2014. The working papers package was an improvement on last year's.

30. Our audit testing is now complete and the accompanying ISA 260 contains details of issues including any amendments. On the whole the council have made most of the amendments we asked for and any unadjusted errors were immaterial to the financial statements.

31. We have agreed, in conjunction with staff from our Technical Services Unit, to provide feedback on the format and content of the financial statements. This is to help streamline the accounts in future and ensure that any improvements in presentation are in line with best practice.

Appendix 1

Progress against Annual Audit Plan 2013/14

Planned outputs	Target delivery date	Actual delivery date
Governance		
Review of adequacy of internal audit	31 January 2014	7 January 2014
Annual Audit Plan	31 March 2014	14 February 2014
Assurance and improvement plan update	19 May 2014	11 April 2014
Internal controls management letter	30 June 2014	27 May 2014
Computer services review follow-up	31 July 2014	30 July 2014
Performance		
Targeted follow-up of performance audit: ALEOs	31 May 2014	30 May 2014
Targeted follow-up of performance audit: Major capital investment in councils	30 June 2014	30 June 2014
Financial statements		
Report to Audit Committee in terms of ISA 260 (communication of audit matters to those charged with governance)	30 September 2014	10 September 2014
Independent auditor's report on the financial statements	30 September 2014	22 September 2014*
Audit opinion on Whole of Government Accounts	3 October 2014	On target
Annual report to Members and the Controller of Audit	31 October 2014	On target

* Audit certification date per proposed audit opinion accompanying the ISA 260.