

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LoTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LoTHIAN CIVIC CENTRE, on 25 SEPTEMBER 2017.

Present – Councillors Chris Horne (Chair), Damian Timson, Lawrence Fitzpatrick and John McGinty

Apologies – Noel Lawlor, Lay Member

In attendance

Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Julie Whitelaw (Head of Corporate Services), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), James Millar (Governance Manager), Pamela Main (Senior Manager, Assessment and Prevention).

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The committee approved the minute of its meeting held on 30 June 2017 as being a correct record.

3. WORK OF INTERNAL AND EXTERNAL AUDIT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, advising that on 7 June 2017 West Lothian Council decided that the existing Audit and Governance Committee should be replaced by two new committees – the Audit Committee and the Governance & Risk Committee.

A presentation was then provided to assist members of the committee by providing an overview of the internal and external audit processes.

The Audit, Risk and Counter Fraud Manager, then gave a presentation on the history and purpose of internal and external audit. He advised that internal auditing provided independent, objective assurances and consulting activity designed to add value and improve operations. It also helped to accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose of the external auditors was to audit the annual accounts and form a view as to whether the accounts were “true and fair” and report back to stakeholders and members.

Finally, it was noted that the risk based audit work undertaken by the Audit, Risk and Counter Fraud Manager would form the basis of the

overall adequacy and effectiveness of the council's framework of governance, risk management and control.

The committee thanked the Audit, Risk and Counter Fraud Manager, for the informative presentation.

### Decision

To note the contents of the report and the presentation by the Audit, Risk and Counter Fraud Manager.

## 4. AUDIT SCOTLAND SELF-DIRECTED SUPPORT 2017 PROGRESS REPORT

The committee considered a report (copies of which had been circulated) by the Head of Social Policy providing a summary of the findings of the Audit Scotland Self-directed Support 2017 progress report. A summary was also provided on the progress made in implementing Self-directed Support using the Audit Scotland Checklist for councillors and board members, details of which were attached at appendix 1 to the report.

The report explained that the 10 year national *Self-directed Support Strategy 2010-20* was introduced jointly by the Scottish Government and COSLA with the aim of empowering people to have more say in the decisions that affected them both as individual recipients of social care services and support and as members of their communities. The 2013 Social Care (Self-directed Support) (Scotland) Act 2013, which came into effect on 1 April 2014, was part of that strategic approach. The aim of Audit Scotland's follow up SDS 2017 progress audit was to establish whether councils, integration authorities and the Scottish Government were making sufficient progress in implementing SDS to achieve the aims of the 10 year strategy. The key findings and recommendations from the audit were outlined within the report.

The findings of the Audit Scotland report reflected the challenges that councils have faced in making the significant changes required for the implementation of SDS as the mechanism for the delivery of social care and support in Scotland. West Lothian has made effective progress in all the areas of SDS implementation considered by the report and in planning the future work that was required to complete the full implementation of the SDS strategy.

The Audit Scotland report has provided a useful analysis of the progress across Scotland in implementing a key national policy for the delivery of social care. The position in relation to the implementation of SDS nationally was reflected locally and demonstrated the scale of the transformational change required. However, effective progress has already been made and there was strong local commitment across key partners and stakeholders to continue the work to ensure the implementation of the 2010-20 SDS strategy.

In response to questions from members which centred on the council's

own policies and procedures, the committee was advised that:

- The choice of the “best” option for a service user was for the individual to make, not for the council to make or direct. The council had a duty to provide information to make sure the service users were in a position to make their own choice
- The council did have a power to intervene and stop direct payments if it was concluded that they were not being used appropriately. The system was designed around outcomes, and the intervention would be considered if those outcomes were not being achieved
- There was a financial context in relation to reducing budgets for the service. There as evidence to show that if the options and services available were well-used then better outcomes could be delivered at lower cost
- It had been recognised by officers that the council could do better in relation to enabling service users to know their options and make the right choice for them, and an action plan is in place to make the improvements identified
- The view of officers was that the pace of change expected by Audit Scotland was not achievable, with limitations of the market representing a restricting factor
- There were robust methods in place to measure the effectiveness of the service, including customer surveys, user reviews and assessment processes, and those are used to identify areas for improvement and plan actions to address them.

It was recommended that the committee:

1. Notes the key findings and recommendations of the Audit Scotland Self-directed Support 2017 progress report; and
2. Notes West Lothian’s progress in implementing Self-directed Support summarised in the Audit Scotland Checklist for councillors and board members.

### Decision

To note the contents of the report.

## 5. INTERNAL AUDIT OF BUSINESS CASE EXEMPTIONS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an audit of exemptions from the approved competitive procurement process.

The report advised that in accordance with the annual audit plan for 2016/17, the council carried out an audit of procurement business case exemptions. Business case exemptions were required to be completed in exceptional circumstances where a service did not deem it appropriate or possible to go through a competitive procurement process. The objective of the audit was to review compliance with Standing Orders for the Regulation of Contracts and the business case exemption process as detailed in Corporate Procurement Procedures. The resultant audit report was attached as an appendix to the report which included an action plan with agreed management actions.

In response to questions from members the committee was advised that:

- The new procedures to address the identified weaknesses included, for the lower-value exemptions, a revised application form agreed through the Procurement Board and a pre-authorisation review of the register of exemptions to address the risk of aggregation of contract values, together with a sign-off on the application by the Head of Service
- For the higher-value cases, a completely new process had been designed and implemented by the recently-appointed Corporate procurement Manager which called for, amongst other things, a consultation with the Corporate Procurement Unit and their comments included with the application when submitted
- The fact that all of the lower-level exemptions had been approved should not cause concerns, rather it indicated that the pre-application processes were filtering out the problematic cases before they reached the stage for formal decision.

It was recommended that the Audit Committee notes that control in relation to the exemptions process was unsound.

### Decision

To note the contents of the report.

## 6. INTERNAL AUDIT OF THE OBJECTIVE CONTENT MANAGEMENT SYSTEM

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an internal audit of the Objective content management system.

The report advised that in accordance with the annual audit plan for 2017/18, the council has carried out an audit of the Objective content management system. The audit remit was to conduct a high level review of the effectiveness of the project management arrangements and the key activities that contributed towards the successful delivery of the project. The resultant audit report was attached as an appendix to the report

which included an action plan with agreed management actions.

In response to questions from members the committee was advised that:

- Although the project had had the same technical Lead throughout, there had been several changes to the Project Manager post. That had been filled from outside the council and those appointed had been found not to have been a good fit for the project. The current Project Manager had been appointed internally and would be in post till the conclusion of the project
- The slippage in completion, not uncommon for such projects, had been acknowledged. The reasons included non-availability of key personnel from the supplier and the changes of Project Managers
- The completion of the project was now considered and monitored at regular meetings of the Project Working Group and the Procurement Board, and record-keeping through minutes and action notes had been improved
- There were arrangements in place to retain information and documentation after completion of the project and after contracted staff leave, but there were also current internal appointments to positions of Development Officer, an IT Technical Lead and the Project Manager.

It was recommended that the Audit Committee notes that the review of the implementation of the Objective content management system concluded that the level of control required improvement.

### Decision

To note the contents of the report.

## 7. INTERNAL AUDIT OF THE SYSTEM OF INTERNAL CONTROL

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an internal audit of the council's system of internal control.

The report stated that in accordance with the internal audit plan for 2017/18, a high level review was undertaken of the council's key policies and procedures, including a review of previous internal audit work on these areas, and a review of the draft 2016/17 annual governance statements. The resultant audit report was attached as an appendix to the report which contained agreed management action as set out in the action plan.

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Audit, Risk and Counter Fraud Manager required to deliver an annual opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. His opinion would be included in the 2017/18 annual report which would be

reported to the Audit Committee in June 2018. The opinion of the Audit, Risk and Counter Fraud Manager would have regard to the findings in the internal audit report attached as an appendix to the report and the findings of the other internal audit and counter fraud work undertaken during the year.

In response to questions from members the committee was advised that:

1. Other organisations chose to use different terminology for their assessment categorisation, such as “limited”, but the words used by the council were appropriate and well-understood
2. In relation to cash-handling risks, those were very much in the control of Heads of Service and were their operational responsibility, albeit that specialist advice from Internal Audit and the Financial management Unit were available
3. The assessment in relation to health and safety policies was considered to be accurate, with completion of actions on track by the agreed deadline.

It was recommended that the Audit Committee notes that the review of the system of internal control was considered to be satisfactory.

#### Decision

To note the contents of the report.

#### 8. INTERNAL AUDIT OF THE FINANCIAL STRATEGY - REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER (HEREWITH)

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the outcome of an internal audit of the delivery of a financial strategy and balanced budget.

The report advised that in accordance with the internal audit plan for 2017/18, an audit was undertaken of the delivery of a financial strategy and balanced budget. The resultant audit report was attached as an appendix to the report. The committee noted that there were no audit findings, and therefore no requirement for an action plan.

It was recommended that the Audit Committee notes that following the review of the processes to deliver a financial strategy and balanced budget it was concluded that the level of control was effective.

In response to questions from members the committee was advised that:

- Although the risk in relation to a balanced budget as assessed as “high”, reporting to committee on the current frequency remained appropriate, rather than reporting more often, such as on a quarterly basis

- There was a set of mitigation measures in place in relation to that risk. The report to and decisions by council at the budget-setting meeting in February would result in a reduction of the scoring for the risk, and after that the emphasis would shift more to the risks of approval and delivery of a medium-term financial strategy.

The Chief Executive confirmed that the high and strategic corporate risks were being reported to Governance & Risk Committee in October and that the committee could, if it so decided, consider those risks at every meeting rather than on a less frequent basis.

#### Decision

To note the contents of the report.

### 9. SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS' GROUP (SLACIAG) ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager, providing details of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) annual report for 2016, which was attached as an appendix to the report.

The report explained that The Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) existed to promote best practice in internal audit in local government and acted as a networking forum for members. Membership comprised of the heads of internal audit in Scottish local government and Strathclyde Partnership for Transport.

The Group met four times during 2016. The September 2016 meeting was a joint meeting on health and social care integration, with the council's counterparts on the health side. During 2017 local meetings continued between the internal auditors for the NHS Lothian Integration Joint Boards and the head of internal audit for NHS Lothian.

The committee noted that the Group maintained a computer audit sub group, and in addition the Scottish Local Authority Investigators Group (SLAIG), which was previously a stand-alone group, and was now a permanent sub group. SLAIG existed to promote the practice of fraud prevention, detection and investigation in local government, and during the year the group received a presentation on procurement fraud from the council's counter fraud team.

When asked about the benefits or lessons to be derived from the Group, the Audit, Risk and Counter-fraud manager advised that he felt the Group provided a useful network for sharing experience and learning lessons. He gave as an example the recently-established cooperation locally amongst Internal Auditors of councils, Integration Joint Boards and health board.

It was recommended that the Audit Committee notes that the SLACIAG continued to act as an effective forum for the dissemination of best

practice for internal audit in local government.

Decision

To note the contents of the report.