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7 May 2009

Mr Alan Logan  
Head of Finance  
West Lothian Council  
West Lothian House  
Almondvale Boulevard  
LIVINGSTON  
EH54 6QG

Dear Alan

## **Review of Internal Audit**

### *Background*

Audit Scotland's Code of Audit Practice sets out the wider dimension of public sector audit and requires the external auditor to undertake an annual assessment of the adequacy, strengths and weaknesses of the internal audit function.

Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. As stated in our 2008/09 Annual Audit Plan, we seek to take assurance from the work of internal audit wherever possible to avoid duplication of effort and to enable us to direct resources elsewhere, thus adding value for the council. As part of our planning process we have undertaken a review of the internal audit function in accordance with International Standard of Auditing 610 *Considering the Work of Internal Audit*.

### *Review*

Our review, which was performed recently, considered the following:

- organisational status of internal audit
- technical competence of staff within the internal audit section
- nature of the assignments undertaken and
- quality of audit work.

This was undertaken through discussions with the Internal Audit Manager and his staff. We also reviewed various documents such as internal audit plans, working files and reports.

### *Audit Findings*

1. We found that the internal audit function is well managed and operates to the highest standards. Staff are experienced and competent and produce good quality files and reports.
2. In respect of financial year 2008/09, we can place reliance on internal audit's system reviews of treasury management, rent accounting (billing), and cash/bank (daily cheques). We also plan to place reliance on payroll (permanent changes), non domestic rates, performance management, business continuity planning and statutory performance indicators. We will review internal audit's files once this work is complete and the relevant reports received.

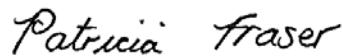
## *Conclusion*

Our review has identified that the internal audit service continues to operate to the highest standards and in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. Specific to the audit of the financial statements and our statutory duties regarding Value for Money we have concluded that, subject to satisfactory review of audit files and reports, we will place reliance on the following audits included in the 2008/09 internal audit plan:

- treasury management
- rent accounting (billing)
- cash and bank (daily cheques)
- payroll (permanent changes)
- non domestic rates
- performance management (Covalent)
- business continuity planning
- statutory performance indicators.

We would like to thank the Internal Audit Manager and his staff for their co-operation and assistance during our review. We look forward to continuing our excellent working relationship with internal audit during the remainder of our audit appointment.

Yours sincerely

A handwritten signature in black ink that reads "Patricia Fraser". The signature is written in a cursive, flowing style. To the right of the signature is a vertical red line.

**Patricia Fraser**  
**Audit Manager**

cc      Alex Linkston, Chief Executive, West Lothian Council  
         Kenneth Ribbons, Internal Audit Manager, West Lothian Council