



**AUDIT COMMITTEE**

**REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2008/09  
AUDIT**

**REPORT BY HEAD OF FINANCE**

**A. PURPOSE OF REPORT**

To advise the Committee of the outcome of the 2008/09 audit and provide a brief summary of the key points arising from the Auditor's Report.

**B. RECOMMENDATION**

It is recommended that the Committee gives consideration to the Auditor's Report on the 2008/09 audit of the Accounts.

**C. SUMMARY OF IMPLICATIONS**

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|---|---|
| <b>I Council Values</b>   | Being honest, open and accountable.<br><br>Making best use of resources.                                  |
| <b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b> | The Auditor's Report is presented to Council in accordance with the Local Government (Scotland) Act 1973. |
| <b>III Resources - (Financial, Staffing and Property)</b>   | None.   |
| <b>IV Consultations</b>   | Consultation with appropriate council officers.   |

**D. TERMS OF REPORT**

**Introduction**

The report by Audit Scotland on the 2008/09 audit is addressed to Members of the Council and is simultaneously forwarded to the Controller of Audit and forms part of the normal audit process. The Auditor's report covers the financial statements, use of resources, governance and accountability, performance management and improvement. This mirrors Audit Scotland's approach to local authority audits, which concentrates on the key risks and priorities facing organisations they audit.

The unaudited Statement of Accounts for the year ended 31 March 2009 was submitted to the Controller of Audit on 5 June 2009, in advance of the statutory deadline of 30 June. These Accounts were the subject of my report to the 23 June 2009 meeting of the Council Executive. The external audit of the Accounts was completed by 30 September 2009, the target date for completion, and the Independent Auditor's Report (formerly the Audit Certificate) signed. I am pleased to report that there were no changes to the figures reported on 23 June 2009 to the Council Executive.

## **Key Messages**

The report opens with the Key Messages section, which outlines the Auditor's conclusions on key outcomes from the 2008/09 audit and the outlook for future audits. The Auditor highlights the following key outcomes from the 2008/09 audit:

- there is an unqualified opinion on the financial statements;
- the council responded to the challenges it faced due to economic conditions, in 2008-09 and achieved the target of £6 million of efficiency savings in 2008/09;
- the council has a number of arrangements in place to ensure it is well placed to manage its current and future budget pressures. These include a report from the Head of Finance in December 2008 of the impact of the economic situation on the council's financial strategy; the council is pursuing a strategic and longer term approach to achieving efficiencies; the council introduced a new risk based budgetary control framework in 2008/09;
- since the council's Best Value audit in 2005, the council has taken action to address all of the improvement actions and demonstrates good practice in a number of areas;
- the council has a programme to build 700 council houses, with 248 under construction in 2009. These were the first council houses to be built by the council in 25 years;
- the council demonstrates a commitment to working with partners, with the opening of the civic centre all of West Lothian's public services will be housed under one roof;
- the locality planning process in West Lothian encourages local communities and organisations to work together to jointly plan services at a local level, resulting in services that are much more responsive to local needs;
- the council has made good progress in developing workforce planning during the year with finalisation of its workforce planning strategy;
- in September 2009, the council achieved the EFQM (European Foundation for Quality Management) Recognised for Excellence Five Star (Gold) Level Award.

On the outlook for future audits the Auditor highlights:

- the financial pressures on the council are significant and the likely reductions in staffing levels over the next three years, leaves the council exposed to higher risk of poor morale and motivation of some staff groups;
- Scottish Government revenue funding is estimated to reduce by £4.1 million in 2010/11 and, as a result, a very tight financial position is faced. Consequently, the council should keep its target level of uncommitted general fund balance under review to ensure that it is sufficient to limit exposure to financial risk and deal with any unforeseen costs;

The main body of the report on the audit covers four main areas: Financial Statements, Use of Resources, Governance and Accountability, Performance Management and Improvement.

### **Financial Statements**

There are no qualifications to the Independent Auditor's Report in relation to the council's Accounts. This has been achieved each year since the council began in 1996/97 and represents a significant achievement for the council. The report comments on some issues identified during the financial statements audit and notes that local government will move to adoption of International Financial Reporting Standards from 2010/11.

### **Use of Resources**

The report highlights the operating performance in 2008/09, the reserves and balances held by the council and the capital performance. The Auditor notes, at 31 March 2009, that the unallocated General Fund balance was £2.496 million in line with council policy of retaining a minimum level of at least £2 million.

Turning to the financial outlook, the report notes that the current economic recession and the resulting squeeze on public expenditure has major implications for the council. A review of the impact of the economic situation on the council's financial strategies was carried out in 2008/09 and appropriate action has been taken to safeguard the council's financial position.

The Auditor notes the financial challenges facing the council, including reduced funding settlements, budget savings, a range of cost pressures, and the issues arising from the current economic situation. As noted in the key messages section, it is suggested in view of these pressures the council should keep under review the policy on the minimum level of unallocated General Fund balance.

The Auditor highlights the recent completion of the civic centre as a good example of working with partners. The council will share the civic centre with the police divisional headquarters, sheriff courts, procurator fiscal, fire and rescue service, childrens reporter and health agencies.

## **Governance and accountability**

In this section the Auditor comments on key aspects of the council's governance arrangements during 2008/09 plus the outlook on future governance issues.

There is favourable comment on the work of the Audit Committee. The Auditor notes that the committee is well attended and in overall terms its remit and working practices are in accordance with the good practice principles. The introduction of the executive committee and scrutiny panels (PDSP's) has paved the way for increased scrutiny and debate.

The Accounts Commission recommends that councils give priority to the continuous professional development of its members. The Auditor comments that since the elections in May 2007, the council has been successful in implementing a role description, a training needs assessment and a personal development plan for each member.

The Auditor notes that the council shows evidence of good partnership working. Community planning structures are well developed at council and local levels with appropriate political, official and community representation on each. During the year, the Community Planning Partnership (CPP) worked effectively to develop a Single Outcome Agreement (SOA), a real milestone for effective partnership working. Good leadership by the council ensured that all members of the CPP signed up the SOA.

In terms of the governance outlook, the Auditor notes that partnership working is critical to the council's success. In future the Auditor will be looking at the contribution of partners, as well as the council's own contribution, to the delivery of outcomes.

## **Performance management and improvement**

In this section the Auditor summarises key aspects of the council's reported performance and provides an outlook on future performance.

The Auditor notes the council's performance management framework is comprehensive and integrated with service planning and delivery. Staff have a customer first culture.

The Auditor notes that clear political priorities and organisational values have been set by the council and a wide range of information about services and performance is available. The council has a number of ambitious plans which demonstrate vision, including building 700 new high quality affordable home by 2012 and investment of £93 million in schools, roads and community facilities in 2009/10.

In terms of measuring performance, the Auditor notes that the council's public performance reporting web facility will use the performance information provided by the Covalent performance management system to improve provision of performance information. The system needs to be extended to community partners in order to simplify and standardise public and management reporting against the SOA. The report also provides information on statutory performance indicators and progress against the Best Value Improvement Plan.

In the performance outlook section, the report states that Audit Scotland is currently developing their approach to best value 2 by working with five pathfinder councils. The timing of the council's best value audit will be determined by a risk assessment, due to be reported in March 2010.

## **E. CONCLUSION**

I am pleased to report that the Auditor has concluded that the council is well placed to manage its current and future budget pressures. This is evidenced in the unqualified Auditor's Report and the Auditor's recognition of the Council's financial performance over the year, including achievement of the target efficiency savings of £6 million in 2008/09. The challenging financial climate requires the council to plan ahead and budget for emerging financial pressures and continue to keep the level of unallocated general fund balance under review to ensure it is sufficient to limit exposure to financial risk and unforeseen costs. The results of the audit show a clear commitment to continuous improvement in financial performance, governance, partnership working and performance management.

## **F. BACKGROUND REFERENCES**

2008/09 audited Statement of Accounts for West Lothian Council

2008/09 Outturn and Statement of Accounts – report by Head of Finance to the Council Executive 23 June 2009

Appendices/Attachments: Audit Scotland Report to Members and the Controller of Audit on the 2008/09 Audit

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