

MINUTE of MEETING of the AUDIT COMMITTEE held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 21 OCTOBER 2022.

Present – Councillors Lawrence Fitzpatrick (Chair), Lynda Kenna and Kirsteen Sullivan

Apologies – Councillors Angela Doran-Timson and Pauline Orr; and Appointed Member Moira Glencorse

In attendance – Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Jim Jack (Head of Operational Services), Lesley Henderson (Interim Head of Corporate Services), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Gordon Brown (Operational Services), Sharon Leitch (Senior Auditor), Kenny Wilson (Counter Fraud); and Stephen Reid (Ernst and Young LLP)

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTES

The committee confirmed the Minute of its meeting held on held on 21 June 2022 as a correct record. The Minute was thereafter signed by the Chair.

3. REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2021/22 AUDIT

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services advising of the outcome of the 2021/22 audit and providing a summary of the key points arising from the Auditor's Annual Report.

During presentation, the Head of Finance and Property Services highlighted the amber categorisation of financial sustainability, detailed on page three, which he advised reflected the severe challenge facing all local authorities in Scotland around future financial planning.

Having presented the report, the Head of Finance and Property Services acknowledged that this was the final audit of Ernst and Young LLP's (EY) term as auditors and wished to have his thanks recorded to both West Lothian Council and EY staff, who had worked on the audits in this and previous years, remarking on the professional approach by all concerned.

Stephen Reid then spoke and advised he had issued an unqualified opinion on the financial statements, with two relatively small adjustments processed prior to their finalisation. Throughout the audit the very good co-operation from the Head of Finance and Property Services and his team had enabled the audit to be completed within the agreed timescales.

Referring to the amber categorisation of financial sustainability, the committee were informed that members and officers would need to continue to navigate through the ongoing challenges and uncertainties, within the sector and current environment, in terms of the preparation and finalisation of the medium-term financial plan and on an annual basis.

In recognising that EY's period as auditors for West Lothian Council had come to an end, Stephen Reid expressed his thanks to both the Head of Finance and Property Services and his team on their professional support and co-operation over the last six years.

A question was asked regarding the projected budget gap of £38.4 million, detailed within the report, and whether the gap remained at the same level during the current difficult times, at both National and Scottish Government level, with the Head of Finance and Property Services advising that the gap was now £47.1 million, reflecting the increase in pay and energy costs. Officers were continuing to monitor variables with an update report proposed for presentation at Council Executive in January 2023 following the Scottish budget and local government finance settlement. It was, however, not expected that the gap would significantly reduce and considered likely to increase.

It was recommended that the committee consider:

1. Ernst and Young LLP's 2021/22 Annual Audit Report; and
2. the audited Annual Accounts for 2021/22.

Decision

1. To note the contents of the report; and
2. To note the mutual thanks of West Lothian Council and EY during EY's term as appointed auditor.

4. INTERNAL AUDIT OF WINTER MAINTENANCE

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing of the outcome of an internal audit of the controls in place over the delivery of the council's winter maintenance service.

With regards to the Primary Routes noted in table two of appendix B and in particular urban shopping areas and precincts, it was queried whether there was liaison with large retailers within housing estates regarding the clearance of pathways and gritting. Officers advised routes on the adopted road network were cleared, as detailed within the report, and such retailers and businesses would have their own arrangements in place.

In concluding discussion, the committee commented on the introduction of self-help salt piles and informed the service that the provision was

welcomed within communities.

It was recommended that the committee note that controls in place were considered to be effective.

Decision

To note the contents of the report.

5. INTERNAL AUDIT OF VEHICLE AND DRIVER CHECKS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing of the outcome of the internal audit of the controls in place for vehicle and driver checks undertaken in the council.

In response to a query regarding the Driver Declaration and Authorisation form and whether this included questions of a medical nature, members were informed that individuals were required to declare that they were fit for driving and that the specific questions would be circulated to members for their information.

It was recommended that the committee note that the controls in place required improvement.

Decision

1. To note the contents of the report; and
2. To note that officers undertook to circulate the council's Driver Declaration and Authorisation form to members in order to view the content relating to medical conditions.

6. SCOTLAND'S FINANCIAL RESPONSE TO COVID-19

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing a summary of the report 'Scotland's Financial Response to Covid-19' published by Audit Scotland in June 2022.

It was recommended that the committee note the key messages and recommendations within the Audit Scotland report.

Decision

To note the contents of the report.

7. SCOTLAND'S COUNCILS' APPROACH TO ADDRESSING CLIMATE CHANGE

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services informing of Audit Scotland's recent report into Scotland's councils' approach to addressing climate change.

It was noted that within the Audit Scotland report some local authorities had set 2030 as a target for net zero council emissions and officers were asked if this would be realistic for West Lothian Council. Members were informed that as there were currently no plans across the country for delivery of the targets nor a means of funding the actions it was considered a sensible approach to have a target consistent with that of the Scottish Government.

It was recommended that the committee note the:

1. contents of the report and appendix, and;
2. areas of alignment with the council's approach set out in the Climate Change Strategy 2021-2028 as well as areas for further development in future.

Decision

To note the contents of the report.

8. CORPORATE STRATEGY ANNUAL UPDATE - INTERNAL AUDIT AND COUNTER FRAUD STRATEGY

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing a review of the Internal Audit and Counter Fraud Strategy 2018/23, including progress against the planned actions and an overview of the performance to date.

It was recommended that the committee note the:

1. performance against the outcomes; and
2. progress made in implementing the actions.

Decision

To note the contents of the report.

9. FRAUD AND IRREGULARITY 2021/22

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing of the Audit Scotland report 'Fraud and Irregularity 2021/22'.

The report included details of a pension fraud relating to people receiving payments from a pension fund to which they were not entitled and it was

queried if this related to the Lothian Pension Fund. Although this information was not available at the time the Audit, Risk and Counter Fraud Manager undertook to establish whether that was the case and update members accordingly.

Officers were asked if they recognised any of the examples, or types of examples, detailed within the report as having happened within West Lothian. In response, the Audit, Risk and Counter Fraud Manager advised he did not recognise any specific examples and referred members to the Audit Committee's June 2022 meeting where the annual counter fraud report for last year had been presented and summarised the cases encountered. This had included a relatively small number of COVID business related grant frauds and of the nine cases referred to the internal fraud team two were established as fraud. The Head of Finance and Property Services then informed members that, while being mindful of getting the COVID support out to businesses and families quickly, staff had been briefed with regards to the potential for fraud. Close liaison with the internal fraud team had enabled suspicious cases to be referred and payments intercepted where appropriate.

It was recommended that the committee consider the themes and messages in the report.

Decision

1. To note the contents of the report; and
2. To note that officers undertook to identify if Lothian Pension Fund was the pension fund in which 'Case Study 1: Pension fraud' occurred and update members accordingly.

10. THE NATIONAL FRAUD INITIATIVE IN SCOTLAND 2022

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing of Audit Scotland's report on the National Fraud Initiative (NFI) data matching exercise.

It was recommended that the committee note that the 2020/21 NFI exercise identified outcomes in Scotland valued at £14.9 million.

Decision

To note the contents of the report.