

MINUTE of MEETING of the AUDIT COMMITTEE held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 14 JANUARY 2019.

Present – Councillors Chris Horne, Damian Timson, Dave King (substituting for Councillor Fitzpatrick), John McGinty and David Tait

Apologies – Councillor Lawrence Fitzpatrick

Absent: Appointed Representative Noel Lawlor

In attendance: Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Jim Forrest (Depute Chief Executive) (present for item 10), Nicola Gill (Public Transport Manager), Lesley Henderson (HR Services Manager), Jo MacPherson (Interim Head of Service, Social Policy), James Millar (Governance Manager), Alice Mitchell (Economic Development Manager), Gillian Oghene (Group Manager, Management and Support), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Stuart Saunders (Senior Compliance Officer), Tim Ward (Senior Manager, Young People and Public Protection); Stephen Reid (EY)

1. DECLARATIONS OF INTEREST

No declarations of interest were made.

2. ORDER OF BUSINESS

The Chair ruled that Agenda Item 10 would be discussed last, after the private session, due to the Depute Chief Executive attending another meeting.

3. MINUTE

The committee approved the minute of its meeting held on 8 October 2018 as being a correct record. The Chair thereafter signed the minute.

4. INTERNAL AUDIT PROGRESS REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of progress in relation to the internal audit plan for 2018/19.

With regard to risk-based audit, the report listed works that had been completed as well as those in draft, in progress and those yet to start. The annual audit of the Leader (rural development) grant claim had been undertaken, and review of the 2017/18 Climate Change Declaration and the audit of the 2017/18 Carbon Reduction Commitment Energy Efficiency Scheme had also been completed. No material items of reactive work had been undertaken during that period.

The internal audit team also undertook work for other external bodies,

reported separately to the audit committees of those organisations – namely the West Lothian Integration Joint Board, West Lothian Leisure and the Improvement Service.

Two amendments to the current internal audit plan had been proposed: 1. The Gallagher Basset review of personal safety in social policy, scheduled to take place on 30 January, to be included in the 2019/20 internal audit plan and to be currently replaced with a follow up of the internal audit report on external children's placements submitted to the Audit Committee on 8 October 2018; and 2. The review of procurement within Building Services to be replaced with a review of corporate debt recovery, while council-wide procurement risks to be further considered as part of the scoping of the 2019/20 internal audit plan.

In conclusion, the 2018/19 internal audit plan remained on target to be completed.

It was recommended that the Audit Committee:

1. Note that the 2018/19 internal audit plan remained on target to be completed; and
2. Agree to the amendments to the 2018/19 internal audit plan as set out in section D.5 of the report.

Decision

To agree the recommendations in the report.

5. BREXIT PREPARATIONS

The committee considered a report (copies of which had been circulated) by the Head of Planning, Economic Development and Regeneration providing an update on work being carried out by officers to identify Brexit-related risks with specific reference to the Audit Scotland report *Key Audit Issues For The Scottish Public Sector*.

The covering report noted that leaving the European Union would have implications for West Lothian Council, its partners and West Lothian as a whole. Potential risks impacting council service delivery and operations have been identified as part of a 'Horizon Scanning' exercise; lack of certainty about the UK parliament's position regarding the Draft Withdrawal Agreement had made it difficult to score those risks, although that process was now being progressed. Information and advice from government, agencies and other organisations had helped benchmark the risks identified by services across the council with those identified by others.

The report advised that no immediate threat to the operation of the council was foreseen; however, due to the dynamic nature of the issues and emerging guidance, work would continue to understand those issues and develop contingency plans.

In October 2018, Audit Scotland had published a report identifying key issues for local authorities to consider with respect to Brexit. The report was attached as Appendix 1 and addressed questions under the headings of People, Finance, and Rules & Regulations.

The council had established a Brexit Working Group with the aim of understanding and managing the risks associated with Brexit. Potential risks had been identified and assessed and mitigation actions were being put in place, although in many cases addressing the risks would be outwith the council's control.

During the course of further discussion it was noted that the proportion of non-EU nationals in Scotland was 6%, while according to an assessment undertaken by the council's Human Resources the corresponding figure for the council was 1%. No immediate threat had been identified with regard to the council's supply chain and disruption to council services; the situation continued to be monitored, taking into consideration advice from COSLA.

It was recommended that the Audit Committee:

1. Note that there was an increasing amount of guidance and collaborative working on understanding Brexit issues;
2. Note that the Brexit outcomes were unknown and that there remained a great deal of fluidity and uncertainty on Brexit; and
3. Note that the Corporate Working Group on Brexit was carrying out further work on risks, informed by the Audit Scotland report and other information sources.

Decision

To note the terms of the report.

6. RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager advising of progress in implementing agreed actions arising from audit and inspection reports.

The report followed on from a previous report submitted to the Audit Committee on 25 June 2018 and provided an update on the five outstanding actions of the previous report. The update was attached as Appendix 1. Currently there remained three outstanding actions, all relating to internal audit.

The report noted the importance of timeous implementation of actions and advised that oversight of outstanding risk actions by the Audit Committee would facilitate their completion in order to comply with council objectives.

The committee expressed concern with regard to frequent adjustment of due dates and the gaps between original and revised due dates. In relation to two actions in Public Transport that had been overdue for almost three years, the committee was assured that they were on track for completion in January 2019. The Audit, Risk and Counter Fraud Manager agreed to keep the matter under consideration and work with customers to determine due dates that were both timeous and practical.

The committee noted its appreciation that the number of outstanding actions had been significantly reduced.

It was recommended that the Audit Committee consider progress in relation to the outstanding risk actions.

Decision

To note the terms of the report.

7. AUDIT SCOTLAND REPORT: HOUSING BENEFIT PERFORMANCE AUDIT - ANNUAL UPDATE 2018

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing an update on the Audit Scotland's report on the Housing Benefit performance audits carried out during 2017/18.

The main objective of the benefit performance audit was to help councils improve their benefits service and to hold councils to account for any failing services. Assessment took place every autumn and had two phases: a risk assessment and a focused audit phase.

Audit Scotland had performed risk assessment visits to five councils and had identified a total of 24 risks to continuous improvement. Weaknesses had been identified in business planning and performance, quality checking and intervention outcomes; outstanding risks related to accuracy, interventions and overpayments. Audit Scotland reported that in all the five councils visited, the level of resources might not be sufficient to maintain or improve on previous claims processing performance levels.

The roll out of Universal Credit remained the most significant change to the social security landscape. A report by the National Audit Office published in June 2018 had identified a number of ongoing issues; the Scottish Government had introduced two flexibilities as of October 2018 to how Universal Credit claimants in Scotland could choose to receive their payment.

Audit Scotland also commented on a number of ongoing developments with the potential to impact on housing benefit performance levels going forward. In West Lothian, performance statistics for the speed of processing housing benefit new claims and changes had improved significantly.

In conclusion, Audit Scotland had recognised the improvements made by the councils visited; it also acknowledged ongoing pressures due to Universal Credit roll out and additional welfare reforms. West Lothian Council would continue to work on improving the service and proactively address future challenges of Welfare Reform. The current housing benefit performance statistics for West Lothian remained excellent and a further visit by Audit Scotland was not anticipated.

It was recommended that the Audit Committee note the content of Audit Scotland's annual update report.

Decision

To note the terms of the report.

8. LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2017/18

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services which provided a summary of the *Local Government in Scotland Financial Overview 2017/18* report published by the Accounts Commission on 29 November 2018 and outlined officer responses to the points included in the scrutiny tool for councillors, shown as Appendix 1 of the report.

The Accounts Commission report provided a high level view of the challenges facing councils, how well councils were addressing those challenges and what more they could do to maintain or improve services for the public within reduced resources. The Accounts Commission expected councillors and senior council officers to use the report as a source of information to support their complex and demanding role.

The Accounts Commission report identified key messages for councillors and summarised key issues on local authority budgets and spending in 2017/18; it then went on to provide the financial outlook facing councils and to describe potential implications for the council.

During discussion, an update on teachers' pay award and pensions was provided; pay negotiations were ongoing, while according to COSLA 2/3 of the pensions increase would be funded by Scottish Government and 1/3 by local authorities. The committee was informed that the council's revenue budget model would be updated to reflect the outcomes of the negotiations.

It was recommended that the Audit Committee:

1. Note the key messages included in the report;
2. Note officer responses to the points raised within the councillors' scrutiny tool which could be used by elected members to help them better understand the council's financial position and to scrutinise financial performance.

Decision

To note the terms of the report.

9. COUNTER FRAUD REPORT FOR FIRST SIX MONTHS OF 2018/19 (APRIL TO SEPTEMBER)

The committee resolved that this and the item of business following should be considered in private under paragraphs 1 and 14 of Schedule 7A to the Local Government (Scotland) Act 1973.

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing an update on the performance and activities of the Counter Fraud Team for the six months from 1 April 2018 to 30 September 2018. The work had been carried out in accordance with the council's Anti-Fraud and Corruption Policy and Whistleblowing Policy and the council's zero-tolerance approach to fraud.

The Counter Fraud Team administered the National Fraud Initiative and worked in partnership with the council's external auditors – Ernst & Young, Police Scotland, NHS, Scotland Counter Fraud services and other local authorities for the prevention and detection of fraud, theft and wrongdoings against the council.

The report summarised the referrals received by the Counter Fraud Team during the monitoring period and provided a summary of investigation outcomes. Appendix 1 of the report (private) summarised fraud incidents encountered during the monitoring period, while Appendix 2 provided a list of the Performance Indicators for the team's work.

In the discussion that followed, the committee noted the recent and expected impact of staffing and resources on the number of referrals and their processing.

It was recommended that the committee note the performance and activities undertaken by the Counter Fraud Team during the first six months of the 2018/19 financial year.

Decision

1. To note the terms of the report.
2. To note completion by Roberta Irvine, Counter Fraud and Compliance Officer, of the CIPFA Accredited Counter Fraud Specialist qualification.

10. COUNTER FRAUD INVESTIGATION: COMMUNITY PAYBACK ORDERS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager describing the outcome of an investigation into an allegation relating to the administration of community payback orders by the Community Payback team, within Criminal and Youth Justice, Social Policy.

The report indicated that in February 2018, the Counter Fraud team had been advised of concerns raised by an individual relating to falsification of community payback orders documentation, breach of confidentiality and misuse of council property by the Community Payback team. Investigation into the allegations ensued, which involved interviews with witnesses and review of Community Payback team practices, and it was concluded that the concerns raised had been partially substantiated. Details of the investigation were shown in Appendix 1 of the covering report and included details of the allegations, the findings of the investigation and grading of their importance and an action plan containing agreed management actions intended to rectify the deficiencies identified and improve control.

During the discussion that followed the committee was assured that the problems reported had not been found to be widespread and that actions had been designed to ensure that did not happen. The timescales were confirmed to be challenging but achievable, especially since actions were already in progress. Officers also confirmed that the result of the investigation had been passed on to the original whistle-blower in accordance with the council's policy and procedure.

It was recommended that the Audit Committee:

1. Note the findings of the investigation; and
2. Note the agreed actions which were set out in the investigation report's action plan to improve internal control.

Decision

To note the terms of the report.

11. AUDIT SCOTLAND REPORT: HEALTH AND SOCIAL CARE INTEGRATION: UPDATE ON PROGRESS

The committee considered a report (copies of which had been circulated) by the Deputy Chief Executive providing an update on Audit Scotland's progress report on health and social care integration, attached as Appendix 1.

The report formed part of a five-year programme of work on integration and was the final of three performance reports Audit Scotland had produced. The aim of this audit was to examine the impact of public bodies as they integrated health and social care services.

The report had found that financial planning was not integrated, long term or focused on providing the best outcomes for people who needed support, thus limiting the ability of Integration Authorities to improve the health and social care system. Furthermore, relevant legislation had not been enacted and strategic planning faced significant barriers and required improvement. The report also highlighted the importance of appropriate leadership and engagement of all partners in order for successful reforms. It then recommended six areas that would need to be addressed for integration to make a meaningful difference for people in Scotland.

In the discussion that followed, the committee noted the Depute Chief Executive's view on progress in West Lothian and that a full review of the Strategic Plan was under way with a review of the Integration Scheme to be undertaken thereafter.

It was recommended that the Audit Committee:

1. Note Audit Scotland's findings in relation to progress against integration; and
2. Note the recommendations set out by Audit Scotland as requiring to be addressed to further integration and make a meaningful difference to people in Scotland.

Decision

To note the terms of the report.