

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LoTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LoTHIAN CIVIC CENTRE, on 6TH DECEMBER 2011.

Present - Councillors Carl John (Chair), Frank Anderson, Jim Dickson and John McGinty

Absent - Councillor Martyn Day

In Attendance - Donald Forrest (Head of Finance and Estates), Kenneth Ribbons (Audit and Risk Manager), Ann Gee (Head of Housing Building and Construction Services), Jennifer Scott (Head of Social Policy), Alistair Shaw (Head of Area Services), Lesley Henderson (HR Pay and Reward Manager), Sharon Leitch (Internal Audit); Stephen O'Hagan and David Meechan (Audit Scotland)

1. MINUTE

The committee approved the Minute of its Meeting held on 13th September 2011.

Councillor McGinty requested that the committee consider adding to the agenda for a future meeting an investigation of the issues raised at the last meeting of full council in relation to outstanding ground works at Limefield, Polbeth and the relationship to roads bonds issues considered by the committee before.

The Clerk advised the Chair that the decision of full council had been that these issues should be referred for consideration to the relevant Policy Development and Scrutiny Panel, and then to the Council Executive, and so under Standing Orders it would not be appropriate at this stage for the committee to be involved.

The Chair accepted the advice of the Clerk, and advised that if there remained issues to be explored after considered by the Council Executive then the committee could deal with those outstanding issues at that time.

2. INTERNAL AUDIT OF PERFORMANCE INDICATORS

The committee considered a report by the Audit and Risk Manager (which had been circulated) advising the committee of the results of the recent audit of the council's Performance Information as held on the council's Covalent system.

The report followed a request made by the committee at an earlier meeting that further reporting on the accuracy of performance indicators should be carried out annually, and reported to the committee.

The Report advised that the audit had covered a sample of 11 PPR Indicators and four SPI Indicators to determine whether they were accurate and up to date. It went on to advise that the four SPI's

reviewed had been found to be accurate and up to date, and the results, which had been returned to Audit Scotland on 30th August, were shown in Appendix 1 to the report.

The report continued to advise that all the 11 PPR Indicators reviewed, three had been found to contain errors, in relation to Occupational Therapy, Construction Services and Libraries, and that those errors had been reported to the relevant Heads of Service. The Audit Risk Manager explained that corrective action had been taken, and that the information in Covalent was now accurate and up to date.

The report concluded by pointing out that there had been some minor discrepancies found in a further three indicators, and that the remaining five were found to be accurate and up to date. Information about those 11 PPR Indicators was contained in Appendix 2 to the report.

In response to questions from the committee, the Audit and Risk Manager explained the approach which had been taken to the issue of the materiality of the discrepancies found, and was advised that ultimately each Head of Service was responsible for the accuracy of the information in Covalent, which had to be reported publicly, and to the Chief Executive, and audited annually.

Decisions -

- 1 To note the findings of the 2011/12 annual audit of the council's Performance Information.
- 2 To agree that a larger sample should be used for the same Internal Audit exercise in 2012/13.
- 3 To agree that in the interim a repeat of the present audit exercise should be undertaken and reported to the committee at its meeting to be held in six months time.
- 4 To agree that a report should be brought to the next meeting of the committee to explain the processes undertaken by officers in populating, checking, managing and reviewing performance information in Covalent.

3. UPDATE ON AUDIT SCOTLAND REVIEW OF INTERNAL CONTROLS

The committee considered a report by the Audit and Risk Manager (which had been circulated) updating the committee on progress in implementing the management actions arising from the review by Audit Scotland of internal controls within the financial systems.

The committee had at its meeting in September 2011 asked for an update on progress in implementing planned management actions following Audit Scotland's review of internal controls within the council's financial systems. The updated Action Plan was attached as an Appendix to the report.

The report advised that 12 of the 14 planned actions had been fully implemented, that an interim arrangement had been put in place in relation to Item 7 pending the introduction of the new accounts payable system, and that Building Services had now put a supplier contract register in place pending full implementation of the council's procurement review.

Decisions -

1. To note the management action taken in relation to the review by Audit Scotland of the council's internal financial systems controls.
2. To agree that the Head of Housing, Construction and Building Services should provide members with information in relation to the numbers and types of non-standard invoices from non-approved suppliers.

4. REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2010/11 AUDIT

The committee considered a report by the Head of Finance and Estates (which had been circulated) advising of the outcome of the 2010/11 Audit, and providing a brief summary of the key points arising from the Auditor's Report.

The key messages in the report by Audit Scotland were summarised, and more detailed information was provided in relation to the Financial Statements, the council's Financial Position, issues of Governance and Accountability, and in relation to Best Value and the use of resources and performance.

Decisions -

1. To note the auditor's 2010/11 audit report.
2. To note the unqualified opinion on the financial statements for 2010/11.

5. AUDIT OF TREASURY MANAGEMENT

The committee considered a report by the Audit and Risk Manager (which had been circulated) informing the committee of the results of the Audit of Treasury Management.

The report explained that the audit had been carried out at the request of the Head of Finance and Estates due to staffing changes in that service area. The remit of the audit had been to determine whether controls were in place to ensure that treasury transactions were in accordance with council policy and procedures in the current financial year.

The audit report, including an action plan with the findings, recommendations and management comments was attached.

The conclusion of the audit was that the level of control over Treasury Management transactions was effective.

Decision -

To note the results of the audit of Treasury Management contained in the report.

6. REVIEW OF INTERNAL AUDIT BY AUDIT SCOTLAND

The committee considered a report by the Audit and Risk Management (which had been circulated) informing the committee of the outcome of the recent review by Audit Scotland of the council's internal audit function.

The report explained that these assessments were carried out on an annual basis to test the adequacy, strength and weaknesses of the council's internal audit function. The recent review had considered the service's organisational status, the technical competency of staff, the nature of the assignments undertaken, and the quality of the audit work carried out. The conclusion had been that the internal audit function in the council was well managed, and operated to a high standard and in accordance with the "Code of Practice for Internal Audit and Local Government".

The report concluded by explaining that Audit Scotland's conclusion was that they were able to place reliance for opinion purposes on the work of the service as part of their own audit of the council's 2010/11 accounts.

The review by Audit Scotland was attached to the report as an Appendix.

It was noted that the internal audit resource had reduced with the assumption of responsibility for risk management, and that internal audit activity in future would focus more closely on the key risks and controls contained in the corporate risk register.

Decision -

To note that Audit Scotland had concluded that, subject to the satisfactory review of specific audit files and reports, they were able to place reliance on the work of Internal Audit as part of their audit of the council's 2011/2012 accounts.