

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN HOUSE, on TUESDAY 9 JUNE 2009.

Present – Councillors Frank Anderson (Vice-Chair), Martyn Day, Jim Dixon, John McGinty and John Muir (substituting for Gordon Beurskens)

Apologies – Councillor Gordon Beurskens (Chair).

In Attendance – Patricia Fraser and Neil Robb (Audit Scotland)

1. MINUTE

The Committee approved the Minute of its meeting held on 17th March 2009. The Minute was thereafter signed by the Chair.

Matters arising were dealt with as follows: -

The Head of Finance advised the Committee that in relation to Minute Item 7, “Audit of Business Continuity Planning”, progress had been made in that a desk top exercise had been completed, which had raised a number of issues and that it was intended to bring back to a future meeting of the committee a Business Continuity Management Policy statement.

The committee members then expressed concerns, in that the council did not appear to have a Business Continuity Management Policy at the moment. However the Chief Executive explained that much work had been completed across a number of council services and that work continued to be carried out and would form part of the overall policy.

The Chief Executive then stated that any Business Continuity Management Policy would need to be adjusted to take into consideration the move to the Civic Centre, and would need to grow and mature as time progressed.

Decision

1. Agreed that a report would be brought back to the September meeting of the Audit Committee demonstrating action against the twelve action points as outlined in the “Audit of Business Continuity Plan”; and
2. That a report outlining the full Business Continuity Management Policy would be submitted to the December meeting of the Audit Committee.

2. INTERNAL AUDIT ANNUAL REPORT 2008/2009

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager providing a copy of the Internal Audit Annual Report for 2008/2009 and which set out the work undertaken by the Internal Audit Unit during 2008/2009.

Attached to the report at Appendix 1 was the annual report that summarised the audit work undertaken during 2008/2009 and covered the areas of Systems based Audit Work, Reactive Work and Performance Indicators & Best Value.

The Internal Audit Manager concluded that the systems of internal control in place within the council were generally sound, however improvements were required in certain areas as noted in the conclusion of the annual report. One such area for further audit was the Payroll function and that this would be subject to a further report to the Audit Committee in September 2009.

The Chair wished to record a note of thanks, on behalf of the committee, to the Internal Audit Manager and his staff for all their hard work in providing the council with an effective internal audit system.

Decision

1. To approve the terms of the report; and
2. Note that a report concerning an audit of the council's payroll function would be submitted to the September meeting of the Audit Committee.

3. AUDIT OF COVALENT PERFORMANCE MANAGEMENT SYSTEM

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the members of the results of recent audit work carried out on the Covalent Performance Management System.

The report advised that in April and May 2009 an audit had been carried out and involved testing a random sample of 22 high level performance indicators to determine whether they were up to date and accurate.

Attached to the report at Appendix 1 were the details of the audit and which were summarised as below: -

- 18 indicators were up to date; 4 indicators (18% of the sample) were not up to date;
- 14 indicators were considered to be accurate or to have minor errors which would not effect understanding of performance (64% of the sample);

- 3 indicators could not be checked as back-up information was not available or was not auditable;
- 4 indicators either had material errors or were estimates, which turned out to be materially different from actual.
- One indicator (NET006_9b) required a revised definition as it did not appear to be an effective measure of performance

The Internal Audit Manager advised that it was imperative that information within Covalent was an accurate reflection of service performance and that services must ensure that back up documentation was retained to enable performance information within Covalent to be checked.

Additionally some indicators comprised estimated information and the Internal Audit Manager suggested that the Best Value Manager consider whether this was appropriate.

The report concluded that further improvement must be made to ensure that performance information included with Covalent was relevant, accurate and up to date.

The Chief Executive then advised the committee that he had communicated to all staff/managers, following the last Audit Committee, the need to improve the accuracy of the data being input to Covalent and if there was no improvement over the coming months strong management action would be taken.

Councillor McGinty then questioned what level of management was responsible for checking the accuracy of data being input into the Covalent System.

The Best Value Manager explained that each Covalent indicator identified who was responsible for building the data and therefore who verified the data. And if concerns with the accuracy or relevance of the data were identified then this could be escalated to either Head of Service or Director level.

Councillor Anderson then expressed concern that some of the data within Covalent were estimates and if there was any doubt with regards to the data then the performance indicator should remain blank until such time the data could be verified.

The Best Value Manager advised that he had not been aware that this practice was taking place and that only through the audit process had it been identified and therefore steps would be taken to have the practice stopped.

Councillor McGinty then queried what level of guidance was provided to services in terms of retaining background/supporting information for the performance indicators.

The Internal Audit Manager explained in that in a number of cases the data in Covalent was taken from another computer-based system, as opposed to a paper-based system, and that this was not always a satisfactory method for obtaining accurate data.

Additionally the Best Value Manager advised that guidance on completion of the Covalent performance indicators was provided to all services but it would appear that this information needed to be provided again.

Councillor Anderson concluded that there was a perceived lack of confidence in the system and that a report back to the December meeting of the Audit Committee would be welcome.

Decision

1. Noted the terms of the report; and
2. Agreed that a further report on the Covalent Performance Management System be presented to the December meeting of the Audit Committee.

4. AUDIT SCOTLAND OVERVIEW OF LOCAL AUTHORITY AUDITS 2008

The Audit Committee considered a report (copies of which had been circulated) by the Head of Finance presenting a comprehensive overview report on the 2007/2008 audits of local authorities by the Controller of Audits and incorporating the Accounts Commission's findings.

The report advised that the Accounts Commission had welcomed the evidence of improving local authority services across a range of areas. However the Commission noted that the report had been produced at a time when councils faced significant challenges in dealing with fast changing economic circumstances, financial pressures and in implementing Single Outcome Agreements.

The Controller of Audit's Report, attached to the report at Appendix 1, was split into five parts, namely The National Context, Supporting Continuous Improvement, Using Resources, Service Performance and Looking Ahead. The Head of Finance provided a summary of the key points arising from the Controller's report under each of these categories.

In his report the Controller had also mentioned the future challenges councils would need to address, including: -

- Performance management and monitoring – ensure good management processes and robust information was available on services;
- A culture of continuous improvement, with even greater emphasis on efficiency and effective use of resources;

- Competitiveness of key services, with a systematic approach to demonstrating service competitiveness and value for money;
- Shared services, which it was recommended that councils consider as a high priority;
- Making partnership working real and effective via development of Single Outcome Agreements; and
- Continuous development of elected members, with a personal development plan for all members.

The Head of Finance considered that West Lothian Council was well placed to meet these challenges by demonstrating a clear commitment to improvement and had made steady progress against improvement actions agreed as a result of its 2005 best value audit.

The Head of Finance concluded that, based on the Controller's report, the Accounts Commission had concluded that improvements were made by Local Government in 2007/2008 but also highlighted action that was required to improve outcomes for communities.

Additionally in terms of West Lothian Council, the Auditor stated in his report on the council's 2007/2008 Accounts that the council continued to demonstrate a clear commitment to continuous improvement and developing Best Value services.

Decision

To note the contents of the report.

5. AUDIT SCOTLAND STRATEGIC AUDIT RISK ANALYSIS 2008/2009

The Audit Committee considered a report (copies of which had been circulated), which presented Audit Scotland's Strategic Audit Risk Analysis for 2008/2009.

The report advised that the Strategic Audit Risk Analysis (SARA) set out the findings of the Audit Scotland's review of the strategic risks facing West Lothian Council and that Audit Scotland had reported on the basis of the following key national priorities for 2008/2009 to 2010/2011: -

- Vision and strategic direction
- Partnership working and community leadership
- Governance and accountability
- Performance management and improvement

- Risk management
- Financial management
- People management
- Asset management
- Procurement
- Information management
- Service priorities and risks

The SARA, which was attached to the report at Appendix 1, concluded with a Strategic Risk Plan, which summarised the key risks facing the council, set out the management assurances and detailed the audit work that Audit Scotland planned to undertake.

The Internal Audit Manager concluded that Audit Scotland intended to monitor progress in addressing the risks identified and to report any significant matters, which arose on an exception basis. In addition any significant findings from their work may be included in their annual report on their audit.

Councillor Dixon noted that in the Strategic Analysis Risk Audit reference had been made to a 6-month sickness absence pilot project that had commenced in November 2008, and requested feedback on the outcome of the project.

The Chief Executive advised that an interim report was available, however the pilot had been extended by a further three months and that a more comprehensive report would be presented to the December meeting of the Audit Committee.

Decision

1. To note the contents of the report; and
2. Agreed that a report concerning the sickness absence pilot project would be presented to the December meeting of the Audit Committee.

6. REVIEW OF INTERNAL AUDIT BY AUDIT SCOTLAND

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the members of the outcome of Audit Scotland's recent review of Internal Audit.

The report advised that Audit Scotland's "Code of Audit Practice" required

them to undertake an annual assessment of the adequacy, strengths and weaknesses of the council's internal audit function.

Audit Scotland's review included consideration of the council's organisational status, the technical competency of staff, the nature of the assignments undertaken and the quality of audit work.

Audit Scotland concluded that, subject to satisfactory review of audit files and reports, they were able to place reliance on the council's work as part of their audit of the council's 2008/2009 accounts.

Decision

To note the contents of the report.

7. AUDIT OF TREASURY MANAGEMENT

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the members of the results of the audit work on treasury management.

The report advised that in accordance with the 2008/2009 Internal Audit Plan, an audit of treasury management had been undertaken.

The objectives of the audit were to determine whether controls were in place which ensured that: -

- Transactions were in accordance with council policy, standing orders and financial regulations;
- Payments were made only in respect of valid deposits, debt repayments or creditors;
- Deposits were made with approved counterparties only;
- Payments were made accurately and timeously.

The findings and recommendations, together with management comment, were set out in Appendix 1 attached to the report.

The Internal Audit Manager concluded that it was considered that the control was good and that no recommendations ranked "critical" were made.

Decision

To note the contents of the report.