

MINUTE of MEETING of the AUDIT AND GOVERNANCE COMMITTEE of WEST Lothian Council held within Council Chambers, West Lothian Civic Centre, Livingston, on 9 February 2015.

Present – Councillors Harry Cartmill (Chair), John McGinty, Jim Dixon and John Muir (substituting for Carl John)

Apologies – Councillor Carl John

Absent – Councillor William Boyle

In Attendance – Graham Hope (Chief Executive, WLC), Donald Forrest (Head of Finance and Estates, WLC), Kenneth Ribbons (Audit & Risk Manager, WLC), Susan Gordon (Community Planning, WLC), Elaine Byrne (Housing, Construction & Building Services, WLC), David McConnell and Allister Perston (Audit Scotland)

1. DECLARATIONS OF INTEREST

No declarations of interest were made.

2. MINUTE

The committee confirmed the Minute of its meeting held on 1 December 2014. The Minute was thereafter signed by the Chair.

3. INTERNAL AUDIT PLAN 2015/16

The Committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the 2015-16 Internal Audit Plan.

The Audit and Risk Manager advised that the Public Sector Internal Audit Standards (PSIAS) required that a risk based audit plan be prepared

The Internal Audit Plan for 2015-16 set out the planned internal audit work for the financial year to 31 March 2016 and a copy was attached to the report at Appendix 1.

Audits were included within the plan on the basis of an assessment of risk, based on the corporate risk register, discussions with managers, local knowledge of the council and its operations. Where risks were derived from the corporate risk registers, the risk reference was set out in the plan.

Audit Scotland had been consulted to ensure that the internal audit plan was co-ordinated within their programme of work.

It was recommended that the Audit and Governance Committee approve the 2015-16 Internal Audit Plan.

The Chair of the committee noted that a number of risks to the council

remained outstanding, as per the appendix to the report, and sought further information particularly in relation to Risk NLCS005 (Injury or death by falling onto spiked railings around headstones or graves or by unsafe memorialisation). The Audit and Risk Manager undertook to obtain more information on this matter and circulate to the committee members in due course.

Decision

To approve the terms of the report

4. RISK MANAGEMENT PLAN 2015/16

The Committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the 2015-16 Risk Management Plan.

The committee were advised that the Risk Management Plan for 2015-16 set out the main areas of planned work on risk management, including business continuity planning. A copy of the Risk Management Plan for 2015-16 was attached to the report at Appendix 1.

The objective of risk management work was to ensure that effective processes were in place for managing risk at both corporate and service level. This was carried out by ensuring that up to date and effective guidance was provided by services, by facilitating and participating in the work of the Risk Management Working Group and Governance and Risk Board and by reporting on risks to the Governance and Risk Board and Executive Management Team.

The Audit and Risk Manager continued to advise that the objective of business continuity planning was to ensure that business continuity plans were up to date and effective. Testing of WLC1 (risk to life and limb) business continuity plans was currently on schedule to be completed by April 2015. Further work on the review of WLC2 (significant impact) business continuity plans would be undertaken during 2015-16.

It was recommended that the Audit and Governance Committee approve the 2015-16 Risk Management Plan.

Decision

To approve the terms of the report

5. COUNTER FRAUD PLAN 2015/16

The Committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the 2015-16 Counter Fraud Plan.

Attached to the report at Appendix 1 was a copy of the Counter Fraud Plan for 2015-16, which had been prepared by the Audit and Risk

Manager.

The main elements of the Counter Fraud Plan were to :-

- Record, assess and investigate fraud referrals;
- Administer the 2014 National Fraud Initiative (NFI) data matching exercise, risk assess data matches and investigate them appropriately; and
- Maintain the council's whistleblowing hotline and investigate allegations.

It was recommended that the Audit and Governance Committee approve the 2015-16 Counter Fraud Plan.

Decision

To approve the terms of the report.

6. INTERNAL AUDIT CHARTER

The Committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the internal audit charter, a copy of which was attached to the report at Appendix 1.

The Audit and Risk Manager advised that the internal audit charter covered matters such as internal audit's purpose, scope, responsibilities, objectives, organisational status, independence and authority. The charter was important in that it clearly set out the arrangements for securing internal audit's independence and set out the right of internal audit staff to receive documents, information and explanations from officers and members of the council.

It was recommended that the Audit and Governance Committee approve the internal audit charter.

Decision

To approve the terms of the report

7. THE ACCOUNTS COMMISSION'S NATIONAL REPORT ON COMMUNITY PLANNING

The Committee considered a report (copies of which had been circulated) by the Chief Executive, providing an update on the findings of the Accounts Commission national audit report on Community Planning and the plans for responding to the recommendations.

The committee were advised that the Accounts Commission published their national report on Community Planning "*Turning Ambition into Action*" on 27 November 2014. The report assessed progress locally and

nationally in the context of the agenda for improvement set out in the Statement of Ambition for Community Planning and identified opportunities for further improvement.

The report contained several key findings and recommendations for the National Community Planning Group, the Scottish Government, COSLA and CPP's to consider. These were summarised in Appendix 1 attached to the report.

It was noted that the Accounts Commission found that there was a strong sense of renewed energy nationally and locally to improving Community Planning since the publication of the Statement of Ambition in 2012. Partners were now taking a more active part in sharing ownership of priorities, understanding what resources were available and recognising the importance of prevention. However leadership, scrutiny and challenges remained inconsistent and there was also a lack of a coherent national framework for assessing performance and pace of improvement of CPP's. The National Community Planning Group would need to work with the Scottish Government and COSLA on what their new approach to Community Planning would mean in practice for CPP's and how successful delivery would be measured.

The report continued to advise that the findings and recommendations of the West Lothian CPP audit report and the national audit report would be considered and incorporated into the partnership's existing self-assessed development plan at a special meeting of the CPP. Additionally representatives from the Accounts Commission would be invited to the next CPP Board meeting on 9 March 2015 to further discuss the key findings and a Celebrating Community Planning event would be arranged in early summer to highlight areas of particular strength and to learn from invited speakers and other CPP's of examples of good practice.

In conclusion the Accounts Commission had found that there was a strong sense of renewed energy nationally and locally to improving Community Planning since the publication of the Statement of Ambition in 2012 and the partners were now taking a more active part in sharing ownership of priorities. However there were some areas for improvement for CPP's, as well as for the National Community Planning Group, the Scottish Government and COSLA.

It was recommended that the Audit and Governance Committee:-

1. Note the findings and recommendations of the Accounts Commission's national report; and
2. Note the Community Planning Partnership's plans for responding to the findings and recommendations and for further developing the partnership.

Decision

To note the contents of the report.

8. AUDIT SCOTLAND REPORT ON THE IMPACT OF WELFARE REFORMS ON COUNCIL RENT ARREARS IN SCOTLAND

The Committee considered a report (copies of which had been circulated) by the Head of Housing, Construction and Building Services providing a summary of the report on “*Impact of Welfare Reforms on Council Rent Arrears in Scotland*” published by Audit Scotland in September 2014, a copy of which was attached to the report at Appendix 1.

In September 2014, Audit Scotland published a report “The Impact of Welfare Reforms on Council Rent Arrears in Scotland”. The report concluded a review of the underlying factors impacting on rent arrears, highlighted council initiatives to mitigate the effect of welfare reform (WR) on rent arrears, reviewed revisions to council policies in response to WR and highlighted where current and impending WR could impact on rent arrears in the future.

The Head of Housing, Construction and Building Services then provided a summary under the headings of Rent Arrears, Write Offs & Bad Debt, Voids, Discretionary Housing Payment, Policies & Incentives and the effect of the council’s long term plans.

With regards to the position for West Lothian Council it was noted that in line with the national trend West Lothian Council experienced a higher level of rent arrears, rising from £998,000 in 2012-13 to £1.3 million in 2013-14. This increase was in a year when the council had approved a rent freeze to assist tenants. The estimated loss of Housing Benefit as a result of the removal of spare room subsidy was £1.3 million for council tenants alone in 2013-14. There had not been a notable impact on voids for the council as a result of WR’s.

It was further noted that West Lothian Council was one of five councils that increased bad debt provision in anticipation of higher rent arrears. West Lothian Council was also one of thirteen councils that had spent in excess of 90% of their DHP budget with an outturn of 99% for 2013-14. The council was also continuing to make preparations for the introduction of Universal Credit and a working group had been established to take this forward.

In conclusion the Audit Scotland report noted that at this stage there was not a significant impact on councils’ long term housing plans or strategies but highlighted that there were further welfare reforms still to have an impact, most notably Universal Credit. However West Lothian Council had responded positively to the challenge of Welfare Reform particularly in rent arrears through its task group approach, maximising DHP spend and approving a rent freeze in the first year of the removal of the spare room subsidy.

It was recommended that the Audit and Governance Committee note the key messages included in Audit Scotland’s report and the council’s position on these.

It was noted by the committee that the housing team had been particularly proactive and innovative in their methods to collect council rent arrears and wished to record a note of thanks. It was however noted that more work was to come with the introduction of the Universal Credit later in the year which would bring fresh challenges.

Decision

1. To note the content of the report; and
2. Agreed to record a note of thanks to the staff for all their efforts and innovative methods for dealing with the council's rent arrears.

9. AUDIT SCOTLAND ANNUAL AUDIT PLAN 2014/15

The Committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of Audit Scotland's 2014-15 Annual Audit Plan, a copy of which was attached to the report at Appendix 1.

The Committee were advised that Audit Scotland's audit plan set out the work they proposed to undertake in relation to their 2014-15 audit. As Audit Scotland set out their plan, auditors in the public sector gave an independent opinion on the financial statements. They also reviewed and reported on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this they aimed to support improvement and accountability.

Audit Scotland's fee was set out on page 11 of their plan and took account of the risk exposure to the council, the management assurances in place and the level of reliance they planned to take from the work of internal audit.

Audit Scotland had also concluded that overall, internal audit operated in accordance with the Public Sector Internal Audit Standards (PSIAS) and had sound documentation standards and reporting procedures in place.

It was recommended that the Audit and Governance Committee notes Audit Scotland's planned 2014-15 audit work.

Decision

To note the contents of the report.

10. THE LOCAL AUTHORITY ACCOUNTS (SCOTLAND) REGULATIONS 2014

The Committee considered a report (copies of which had been circulated) by the Audit and Risk Manager advising of the provisions of the Local Authority Accounts (Scotland) Regulations in relation to internal audit.

The Audit and Risk Manager explained that the Local Authority Accounts (Scotland) Regulations came into force on 10 October 2014. In addition to a number of provisions related to the council's accounts, accounting records and control systems, the regulations provided that the council must "operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing".

It was to be noted that the regulations required a local authority to operate a service which allowed for the internal audit service to be provided in-house, by way of a share service or outsourced.

The regulations also required internal audit to operate in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices were those set out in the Public Sector Internal Audit Standards (PSIAS). The PSIAS placed a very great emphasis on the operational independence and objectivity of the internal audit function.

The Audit and Risk Managed continued to advise that the regulations also required that the council from time to time assess the efficiency and effectiveness of internal audit, with references to recognised standards and practices in relation to internal auditing. Therefore the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) was developing a peer review system under which council internal audit teams would independently review their peers for compliance with the PSIAS. The Audit and Governance Committee would be provided with further information on this initiative as it developed.

It was recommended that the Audit and Governance Committee notes that there was now a statutory requirement for councils to operate an internal audit service.

Decision

To note the contents of the report.