

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, CIVIC CENTRE, on TUESDAY 22 SEPTEMBER 2009.

Present – Councillors Frank Anderson (Chair) (in the absence of Councillor Beurskens), Martyn Day, Jim Dixon and Jim Swan (substitute for Councillor McGinty).

Apologies – Councillors Gordon Beurskens and John McGinty.

In Attendance – Patricia Fraser and Ann-Marie McLaughlin (Audit Scotland).

1. MINUTE

The Committee approved the minute of its meeting held on 9<sup>th</sup> June 2009. The minute was thereafter signed by the Chair.

2. AUDIT OF BUSINESS CONTINUITY PLANNING

The Audit Committee considered a report (copies of which had been circulated) by the Director of Development and Environmental Services informing the Committee of the response to the audit work on business continuity planning.

The Director of Development and Environmental Services recalled that the findings of an audit of business continuity planning had been presented to management and to Audit Committee on 17<sup>th</sup> March 2009. The audit had concluded that overall, control over business continuity planning within the council was poor.

Action had been taken by senior managers to address the audit findings and the main areas of progress were summarised within the report.

The report also provided an action plan which had been agreed by management. The Audit Action Plan Response provided details of progress to date against twelve separate recommendations.

Of particular interest to members of the Audit Committee was the development of a draft Business Continuity Policy and Strategy. In response to a question raised by the Chair, the Director of Development and Environmental Services advised that the draft document would be presented to the Partnership and Resources Policy Development and Scrutiny Panel and the Council Executive in the autumn. Thereafter, a report would come back to the Audit Committee which would set out the updated position.

The Committee was invited to note the terms of the report and the significant progress made to improve the council's business continuity planning arrangements.

### Decisions

1. To note the terms of the report and the significant progress made to improve the council's business continuity planning arrangements.
2. To note that a draft Business Continuity Policy and Strategy would be presented to the Partnership and Resources Policy Development and Scrutiny Panel and the Council Executive. Thereafter, a report would come back to the Audit Committee which would set out the updated position.

### 3. AUDIT OF PAYROLL

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager advising that, as part of the 2008/09 Internal Audit Plan, an audit of the council's payroll system had been undertaken.

The Internal Audit Manager explained that the objectives of the audit were to determine whether controls were in place which ensured that permanent changes to the payroll were processed timeously and accurately.

The audit report, a copy of which was appended to the report, provided Internal Audit's findings and recommendations, together with management comment.

Five weaknesses had been identified which were considered to be critical, and these were summarised in the executive summary section of the audit report. Responsibility for implementing the recommendations in the report rested with the Head of Support Services.

The Chair referred to pages 7 and 10 of the Internal Audit Report, which dealt with (i) the checking of all forms against an authorised signatory list and (ii) the recovery of overpayments to staff. Lesley Durie, Manager HR Pay and Reward responded to the questions raised by the Chair, informing the Committee of the action being taken to improve control in these two areas of work.

The Committee was asked to note the terms of the report.

### Decision

To note the results of the audit work on the payroll system and the action being taken to implement the recommendations made within the report.

### 4. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report (copies of which had been circulated) by the Internal Audit Manager setting out progress in relation to the completion of the annual audit plan for 2009/10.

The report provided a list of Completed Work and Work in Progress under the following headings:-

- Systems Based Audit
- Best Value
- Reactive Work

The Internal Audit Manager informed the Committee that reactive work during the period had been 60% greater than provided for in the audit plan. The main items of reactive work undertaken were summarised in the report.

The Internal Audit Manager concluded that systems audit work for 2009/10 was currently behind schedule. Every effort would be made to complete the 2009/10 audit plan, however it should be noted that was likely to depend on the level of any further reactive work arising in the period to 31<sup>st</sup> March 2010.

The Audit Committee was invited to note the terms of the report.

#### Decision

1. To note the terms of the report
2. To agree that progress against the audit plan be reported to a future meeting of the Audit Committee.

#### 5. AUDIT SCOTLAND 2008/2009 AUDIT : MATTERS TO BE REPORTED TO THOSE CHARGED WITH GOVERNANCE

Audit Scotland was required, under ISA 260, to communicate matters relating to the audit of the financial statements to those charged with governance in time to enable appropriate action.

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager providing a copy of a report from Audit Scotland highlighting three issues relating to their audit of the 2007/08 financial statements. These issues related to:-

- Fire Board Pension Costs
- Equal Pay Compensation Costs
- Group Accounts

The Assistant Director of Audit, Audit Scotland commented on each of the issues.

The Committee noted that the report by Audit Scotland was separate from the auditor's annual report to members which summarised the findings of their audit work and was normally submitted to the Audit Committee in December of each year.

The Committee was invited to note the terms of the report, and in particular, that no material weaknesses in the accounting and internal control systems had been identified and the auditor proposed to issue an unqualified report on the financial statements.

#### Decision

1. To note the terms of the report.
2. To record appreciation of the work undertaken by council staff in relation to the audit of the financial statements.

### 6. PRIVATE SESSION

The Audit Committee resolved that, under Section 50 (A) (4) of the Local Government (Scotland) Act 1973, the public be excluded from the meeting during discussion of the following item on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 1 and 14 of Schedule 7A of the Act.

### 7. INVESTIGATION OF COMPLAINT

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the committee of the outcome of an investigation into a complaint received from a director of a manufacturer of doors, windows and conservatories, based in Houston Industrial Estate, Livingston.

The Internal Audit Manager advised that, on receipt of the letter of complaint (copy of which was appended to the report), the Head of Housing and Customer Services had asked Internal Audit to conduct an investigation. The investigation by Internal Audit had involved a number of meetings with representatives from the company that had made the complaint, interviews with council officers named in the complaint, and detailed audit work on contracts let by property Services and Building Services.

The Internal Audit Manager had concluded that, for the reasons given in the report, it would be completely inappropriate to interview the officer assumed to be the subject of the allegations made.

In relation to Building Services Tendering Procedures, the Internal Audit Manager advised that, as part of the audit work, Internal Audit had

reviewed the arrangements in place within Building Services for procuring replacement doors and windows. This had identified a major breach of the council's Standing Orders for Contracts in relation to the procurement of replacement doors and windows. A Memorandum dated 31<sup>st</sup> July 2009 covering these matters was appended to the report.

The Internal Audit Manager concluded that no evidence of corruption had been identified in relation to the letter of contracts by either Property Services or Building Services. However, Internal Audit had identified a number of serious areas of non-compliance by Building Services with the council's Standing Orders for contracts, and control in this area was considered to be poor.

An action plan had been prepared by the Internal Audit Unit (copies of which had been circulated) detailing the findings and recommendations made, grading their risk, and including management comment. The implementation of the recommendations made within the report would help improve control.

The Head of Housing and Building Services responded to questions raised by members of the Committee, full details of which would not be recorded in the minute given that it involved the likely disclosure of exempt information. The Head of Housing and Building Services confirmed that the service had accepted all recommendations made by the Internal Audit Unit.

The Audit Committee was invited to note the terms of the report.

### Decisions

1. To note the terms of the report.
2. To note, in particular, that the recommendations set out in the Action Plan, which had been agreed with the Head of Housing and Building Services, were being implemented and would help improve control.
3. To agree that progress against the Action Plan be reported to a future meeting of the Committee.