

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LOTHIAN COUNCIL held within CONFERENCE ROOM 1, CIVIC CENTRE, on TUESDAY 15 DECEMBER 2009.

Present – Councillors Frank Anders (Vice-Chair), Martyn Day, William Boyle (substituting for Gordon Beurskens).

Apologies – Councillor Gordon Beurskens (Chair).

In Attendance – Patricia Fraser, Fiona Mitchell-Knight and Neil Robb (Audit Scotland).

1. MINUTE

The Committee approved the Minute of its meeting held on 22<sup>nd</sup> September 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 updating the Committee on progress in relation to business continuity management.

The report explained that the report arose from a previous Internal Audit report and consideration by the Audit Committee of the council's business continuity management policy and procedure, and followed a report to the Committee in September 2009 outlining the significant progress, which had been made.

The report went on to summarise the further areas of progress made since then, as follows: -

- The business continuity policy and strategy had been presented to the Partnership and Resources Policy Development and Scrutiny Panel and approved by the Council Executive on 10 November 2009. The strategy included an annual work plan as well as an annual report to the Council Executive.
- Critical services throughout the council had been identified and prioritised. The working group was reviewing the priorities and interdependencies to inform the council's strategic and tactical planning arrangements.
- A draft plan to cover the Civic Centre was under consideration by the working group. A test for the Civic Centre would be carried out as soon as practicable once the plan had been agreed with the council's partners.

The Business Continuity Policy and Strategy was annexed to the report for the information of members of the Committee.

The Committee was invited to note the terms of the report, the recently approved policy and strategy and the progress, which had continued to be made.

In response to questions from elected members, the Director of Development and Environmental Services advised that his understanding was that other council services all had their own up-to-date plans in place but that he would check and confirm that position. The Chief Executive confirmed that the civic centre partner organisations all have their own strategies as well and that the partners are ensuring that their respective plans join up.

#### Decision

1. To note the terms of the report and the annexed policy and strategy approved at the Council Executive on 10 November 2009;
2. To note the significant progress made to improve the council's business continuity planning arrangements; and
3. That the Director of Development and Environmental Services should check that all council service areas had their own up-to-date business continuity plans in place and advise the members of the Committee accordingly.

### 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 Committee of the results of the recent audit work on the Covalent performance management system.

The Internal Audit Manager explained that the work had been carried out as a result of a previous direction from the Committee and had involved the random sampling of 15 performance-reporting indicators in October and November 2009. The results of the sampling were produced in the appendix to the report, and the Internal Audit Manager summarised the results as follows: -

- The indicators were considered to be up to date;
- 11 of 14 indicators were considered to be accurate or to have minor errors which would not affect understanding of performance (79%); and
- One indicator (LS052\_9a.1a) although activated, was not considered appropriate, and has now been replaced by indicator

LS056.

The Internal Audit Manager considered that improvements had been made since the Committee's last consideration of the system but that further improvement was required.

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

Officers were asked if there could be issues relating to literacy or numeracy skills on the part of staff using the database, or if training on the use of the system should be examined. The Chief Executive advised that he would raise those issues with the Directors.

Members of the Committee expressed concern that there continued to be errors and inaccuracies in the database, and the Chief Executive advised that the accuracy of the data in the system was important especially since there was now public reporting on performance through the council's website. He suggested that the Committee should continue to scrutinise the system through regular reports, and that Internal Audit would undertake *ad hoc* checks and report the results to Directors.

#### Decision

1. To note the terms of the report;
  2. To agree that there had been improvements in the accuracy of the Covalent system but that there was still a requirement for further improvement and monitoring; and
  3. That further reports should be brought to the Committee on a similar basis every six months.
4. NURSE CALL CENTRE PILOT

The Committee considered a report (copies of which had been circulated) by the Head of Support Services providing an up-date to the Committee on the nurse-led call centre pilot for sickness absence reporting and monitoring.

The report set out the background to the initial pilot launched in November 2008 and its later extension in March 2009 to cover additional groups of employees for an extended period of time.

The report went on to explain the criteria against which the success of the pilot was to be judged, and provided information as to the performance of the pilot against those criteria, which were: -

- Reduction in overall sickness absence levels;
- Policy Compliance;

- Delivery of Improved Management Information; and
- Positive Impact on Employee Relations.

The report advised that the pilot had been deemed to be a success, and as a result of that a tendering process had been carried out which led to the award of a two-year contract to FirstCare to cover 500 employees at a cost of £4 per employee per month, commencing on 4 December 2009.

Finally the report explained that officers had reviewed existing policies and procedures with a view to ensuring the new contract was integrated with the council's wider absence strategy. Arising from that, amendments were being proposed to the Sickness Absence Management Policy, a dedicated team was being formed in Human Resources to focus on effective absence management across the council, and improvements had been made in the submission of service absence returns and their monitoring.

The Committee was invited to note the continued use of the Nurse Call Centre approach and the current sickness absence strategy to achieve reductions in employee absence levels and improved productivity.

#### Decision

1. To note the terms of the report; and
2. To agree that a further report be provided to the meeting of the Committee in June 2010 about absence rates and the effects of the new contract.

#### 5. AUDIT SCOTLAND FOLLOW-UP OF COMPUTER SERVICE REVIEW

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the Committee of the outcome of outcome of Audit Scotland's recent follow up of their previous computer service review undertaken in 2006/07.

Neil Robb of Audit Scotland spoke briefly to the report and advised that the issue would be followed up again later in 2010.

The report advised that three out of eight agreed action points had been found to be completed, with the remaining five being progressed. The critical areas were service continuity and the development of an ICT strategy and plans were in place to address those.

The report by Audit Scotland was appended to the report to the Committee, and it included a revised Action Plan with new dates for implementation. The Committee was invited to note the terms of the report.

In response to questions from elected members, it was explained that the information asset register was now finalised, and that ICT strategy was in the course of development, with a timeline established for its completion, and the draft strategy would be examined at the ICT board in January 2010. In relation to the service's own business continuity plan, there was a draft in development as well as a plan to support the council-wide and service areas' business continuity plans.

Decision

1. To note the terms of the report; and
2. To agree that a follow-up report should be brought to the meeting of the Committee in June 2010 to advise of progress made.

6. AUDIT SCOTLAND REPORT ON INFORMATION MANAGEMENT

The Audit Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the Committee of the outcome of outcome of Audit Scotland's recent audit of the council's information management systems.

Audit Scotland had conducted a review of the council's arrangements for information management. Their detailed findings were contained in the appended audit report.

The report explained that Audit Scotland had identified that the council had a programme in place to raise awareness and improve information governance, and that the council aimed to identify all the information gathered and shared across the council and to ensure practices and processes were standardised and subject to review.

The action plan at the end of Audit Scotland's report detailed areas where continued risk exposure required management action.

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

Decision

1. To note the terms of the report; and
2. To agree that a follow-up report should be brought to the meeting of the Committee in June 2010 to advise of progress made.

7. 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 explained that the report was brought to the Committee as directed at its meeting in September 2009 when it noted that due to the volume of reactive work, systems audit work was behind schedule.

The Internal Audit Manager advised that reactive work had not continued to the same extent as previously which had enabled some progress on planned work to be made. Audit reports have been issued on the monitoring of the corporate plan, financial administration within community centres, monitoring of council vehicles' fuel consumption, and supplies contracts tender evaluation. Reports on bank reconciliations, the Impensa expenses system and e-procurement were in draft with services awaiting the return of action plans.

He went on to advise that he expected the level of reactive work to continue to increase due to the down-sizing in the council's operation as a result of the recession and expenditure reduction which would give rise to an increased need to ensure that the council continued to operate safely.

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

#### Decision

1. To note the terms of the report.
2. To note the expectation of an increase in the level of reactive work in future.

#### 8. REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2008/09 AUDIT

The Committee considered a report (copies of which had been circulated) by the Head of Finance advising the Committee of the outcome of the 2008/09 audits and provide a brief summary of the key points arising from the Auditor's Report.

The report advised that the report by Audit Scotland on the 2008/09 audits was addressed to Members of the Council and was simultaneously forwarded to the Controller of Audit and formed part of the normal audit process. The Auditor's report covered the financial statements, use of resources, governance and accountability, performance management and improvement. This mirrored Audit Scotland's approach to local authority audits, which concentrated on the key risks and priorities facing organisations they audit.

The unaudited Statement of Accounts for the year ended 31 March 2009 had been submitted to the Controller of Audit on 5 June 2009, in advance of the statutory deadline of 30 June. These Accounts had been the subject of a report to the 23 June 2009 meeting of the Council Executive. The external audit of the Accounts had been completed by 30 September 2009, the target date for completion, and the Independent Auditor's

Report (formerly the Audit Certificate) signed. There had been no changes to the figures reported on 23 June 2009 to the Council Executive.

The Audit Scotland report highlighted the following key outcomes from the 2008/09 audit:

- There was an unqualified opinion on the financial statements;
- The council responded to the challenges it faced due to economic conditions, in 2008-09 and achieved the target of £6 million of efficiency savings in 2008/09;
- The council had a number of arrangements in place to ensure it was well placed to manage its current and future budget pressures. These included a report from the Head of Finance in December 2008 of the impact of the economic situation on the council's financial strategy; the council was pursuing a strategic and longer term approach to achieving efficiencies; the council introduced a new risk based budgetary control framework in 2008/09;
- Since the council's Best Value audit in 2005, the council had taken action to address all of the improvement actions and demonstrates good practice in a number of areas;
- The council had a programme to build 700 council houses, with 248 under construction in 2009. These were the first council houses to be built by the council in 25 years;
- The council demonstrated a commitment to working with partners, with the opening of the civic centre all of West Lothian's public services will be housed under one roof;
- The locality planning process in West Lothian encouraged local communities and organisations to work together to jointly plan services at a local level, resulting in services that are much more responsive to local needs;
- The council had made good progress in developing workforce planning during the year with finalisation of its workforce planning strategy;
- In September 2009, the council achieved the EFQM (European Foundation for Quality Management) Recognised for Excellence Five Star (Gold) Level Award.

On the outlook for future audits the Auditor highlighted the following:

- The financial pressures on the council were significant and the likely reductions in staffing levels over the next three years, left the council exposed to higher risk of poor morale and motivation of

some staff groups;

- Scottish Government revenue funding was estimated to reduce by £4.1 million in 2010/11 and, as a result, a very tight financial position was faced. Consequently, the council should keep its target level of uncommitted general fund balance under review to ensure that it was sufficient to limit exposure to financial risk and deal with any unforeseen costs.

The report went on to summarise comments from Audit Scotland in relation to the council's Financial Statements, Use of Resources, Governance and Accountability, and Performance Management and improvement.

The Head of Finance ended by reporting that the Auditor had concluded that the council was well placed to manage its current and future budget pressures. This was evidenced in the unqualified Auditor's Report and the Auditor's recognition of the Council's financial performance over the year, including achievement of the target efficiency savings of £6 million in 2008/09.

The Committee was invited to give consideration to the Auditor's report.

Elected members raised issues about the way in which the council applied the National Fraud Initiative, as referred to in paragraph 23 of the report, and were advised that the council provided the data which had been included in the report and there was no evidence to indicate that the council's implementation of the Initiative was not working well.

The Auditor was also asked about the evidence it may have had in support of the comments made in paragraph 90 of the report in relation to political Governance, and members were advised that account had been taken of the system of Policy Development and Scrutiny Panels which allowed early consideration of new policies, and regular and systematic performance management reporting to those bodies.

The Chief Executive was also asked for an up-date on the investigations referred to in paragraph 91 of the report, but the Chair ruled that the question was not relevant to the purpose of the report.

### Decision

To note the terms of the report and to accept the report from the council's Auditor.