

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LoTHIAN COUNCIL held within COUNCIL CHAMBERS, on 15 MARCH 2011.

Present – Councillors Carl John (Chair), Frank Anderson, Martyn Day, Jim Dixon, John McGinty

In Attendance - Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Estates), Kenneth Ribbons (Internal Audit Manager), Jim Boshell, Maintenance Manager – Construction Maintenance), Paul Furbank (Economic Property Development Manager), Jennifer Ballantyne (IT Operations Manager), Roberto Riaviz (IT Technical Strategy Manager) and Stephen O'Hagan, Ursula Lodge and Carole Grant (Audit Scotland).

1. ORDER OF BUSINESS

At the invitation of the Chair, the Chief Executive advised the committee of progress being made in relation to the report due to come to the committee on legal and property issues arising from property transactions at Cowhill. He advised that the report had not been brought to the committee at the present meeting on his recommendation, because in his view specialist legal and property advice was required, and had recently been commissioned. He advised that the report had been held until the next meeting of the committee to allow that expert advice to be received and properly considered.

Decision

To note and accept the advice of the Chief Executive in relation to the report on Cowhill, and that it would be brought to the meeting of the committee in June 2011.

2. MINUTE

The committee approved the minute of its meeting held on 20th December 2010. The minute was thereafter signed by the Chair.

3. INTERNAL AUDIT PLAN 2011/2012

The committee considered a report (which had been circulated) by the Internal Audit Manager informing the committee of the Internal Audit Plan for 2011/2012. The plan was attached to the report as an Appendix.

The report advised of the basis on which the plan had been prepared, and the consultations which had taken place to inform the preparation of the plan. It went on to explain that the Internal Audit Service would be taking over responsibility for the council's risk management arrangements from June 2011, and that the main area of work in that regard would be the transfer of the risk register to Covalent.

The Internal Audit Manager informed the committee of the joint work which would be undertaken with Audit Scotland in relation to the annual review of key financial controls, and plans which were being developed to undertake joint working arrangements with Falkirk Council.

#### Decision

1. To note and approve the Internal Audit Plan for 2011/2012;
2. To note the joint working arrangements proposed with Audit Scotland in relation to key financial controls;
3. To note the development of joint working arrangements with Falkirk Council.

#### 4. AUDIT OF INFORMATION SECURITY

The committee considered a report (which had been circulated) containing the results of the audit work carried out on information security in the council.

The report explained that a high level audit of the council's information security arrangements had been undertaken in accordance with the previous year's Audit Plan. The audit report and action plan containing recommendations and management comment were attached as Appendices to the report. The report concluded by advising the committee that control in relation to corporate information security arrangements was effective.

#### Decision

To note the terms of the report.

#### 5. AUDIT OF GAS MAINTENANCE

The committee considered a report (which had been circulated) by the Internal Audit Manager containing the results of the audit work carried out on the council's arrangements for gas maintenance in non-housing properties.

The report explained the remit of the audit work, and the audit report, including action plans with findings, recommendations and management comments, were attached as Appendices to the report.

The committee was advised that the controls in relation to the gas servicing and maintenance processes for non-housing properties required improvement. Those areas for improvement had been identified and were included in the action plan in the Appendix to the report along with the service's response to them.

In response to questions by members of the committee, information was

provided in relation to the lease and other contractual arrangements entered into for gas maintenance inspections and the reasons for those arrangements, the procedures in place for recovery from tenants' deposits of the cost of returning installations to good condition on termination of a lease, and the overall approach taken in relation to ensuring compliance with gas installation inspection and maintenance regulations. In relation to finding 3.2 in the appended Action Plan, members were advised that managers of the service had not felt that it was practical to implement the recommendation due to a lack of resources, and the intention to rely on performance indicators in Covalent as an alternative was explained.

In response to the concerns expressed by the members in that regard, the Chief Executive advised the committee that he would ensure that the service complied with the recommendations in relation to finding 3.2, on the basis that the issue was one of safety and corporate risk rather than performance. He undertook to liaise with the Head of Housing, Building and Construction Services to ensure that appropriate action was taken.

#### Decision

1. To note the terms of the report;
2. To note the undertaking by the Chief Executive to ensure that the service accepted and complied with finding 3.2 in the Action Plan, in relation to the need for a system to ensure effective gas repairs processes in non-housing properties.

#### 6. REVIEW OF INTERNAL AUDIT BY AUDIT SCOTLAND

The committee considered a report (which had been circulated) by the Internal Audit Manager providing information on the outcome of the recent review of the council's Internal Audit Service by Audit Scotland.

The report explained the background to the review, the areas covered by the review, and advised that the conclusion of Audit Scotland was that, subject to the satisfactory review of specific audit files and reports, they were able to place reliance on the work of the Internal Audit Unit as part of their audit of the council's 2010/2011 accounts.

The report noted the concern identified by Audit Scotland of a reduction in the resources available to the Internal Audit Unit, and set out the steps which had been and would be taken to address that perceived risk.

#### Decision

1. To note the terms of the report;
2. To commend the Internal Audit Manager and his staff on the outcome of the review by Audit Scotland.

#### 7. AUDIT SCOTLAND ANNUAL AUDIT PLAN 2010-2011

The committee considered a report (which had been circulated) by the Internal Audit Manager informing the committee of the annual audit plan for Audit Scotland for 2010/11.

The report explained the work which had Audit Scotland proposed to undertake in relation to their audit for 2010/11, which would include their views on performance and the use of resources to support improvement and accountability. Their proposed Annual Audit Plan for 2010/11 was produced as an Appendix to the report.

#### Decision

To note the Audit Scotland 2010/11 Annual Audit Plan.

### 8. OVERVIEW OF LOCAL AUTHORITY AUDITS 2010 - AUDIT SCOTLAND REPORT

The committee considered a report (which had been circulated) by the Head of Finance and Estates in relation to the report by Audit Scotland on the 2009/10 audits of all Scottish local authorities, incorporating the findings of the Accounts Commission.

The report set out the statutory background to the overview report, summarised the findings of the Accounts Commission, and went on to summarise the content of the overview report in relation to the management of resources in 2010, and the challenges for 2011 and beyond. The report concluded by outlining the implications for the council in relation to its use of resources, its governance and accountability arrangements, and its performance management and improvement arrangements. Finally, the committee was informed of the Appendix to the Audit Scotland report which set out key action points for councils, together with key questions for elected members. The Head of Finance and Estates advised that a report was being prepared for submission to the Partnership and Resources PDSP to provide council responses to each of the action points and the questions raised, and a note of how these matters were to be addressed by the council.

#### Decision

1. To note the terms of the report
2. To note that a report was to be brought by the Head of Finance and Estates to the Partnership and Resources PDSP in relation to the "Key Questions for Members" set out on page 30 of the Overview Report