

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, on 7 JUNE 2011.

Present – Councillors Carl John (Chair), Willie Boyle (substitute for Frank Anderson), Martyn Day, John McGinty, Cathy Muldoon (substitute for Jim Dixon).

Apologies – Councillors Frank Anderson and Jim Dixon

In Attendance – Councillor Gordon Beurskens (member for Whitburn and Blackburn ward), Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Estates), Jim Jack (Head of Operational Services) Kenneth Ribbons (Internal Audit Manager), Jim Boshell (Maintenance Manager – Construction Maintenance), Carol Johnston (Senior Solicitor), Fraser MacKenzie (HR Manager), John Paterson (Manager, Operational Services) and Stephen O'Hagan and Ursula Lodge (Audit Scotland).

1. MINUTE

The Audit Committee approved the minute of its meeting held on 15<sup>th</sup> March. The minute was thereafter signed by the Chair.

2. INTERNAL AUDIT ANNUAL REPORT 2010/2011

The Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the Committee of the work undertaken by the Internal Audit Unit during 2010/11 and enclosing a copy of the Internal Audit Unit Annual Report 2010/2011.

The Annual Report outlined the unit's performance against the previous year's annual plan together with the main items of unplanned work arising during the year. It also provided benchmarking information derived from the CIPFA Benchmarking Club and compared key ratios with other participating unitary authorities.

The Internal Audit Manager considered that the systems of internal control in place within the council were generally sound. Improvements were required in certain areas, and these were noted in the Annual Report.

Decision

To approve the annual report of the Internal Audit Unit for 2010/11.

3. AUDIT OF GAS MAINTENANCE

A report had been circulated by the Internal Audit Manager providing the Committee with an update on the proposed action arising from audit work on gas maintenance.

The Internal Audit Manager recalled that an internal audit report on gas servicing and maintenance for non-housing properties had been

submitted to the March meeting. Revised action plans had now been received from Housing, Construction and Building Services and Finance and Estates Services providing an update on progress

The Internal Audit Manager informed the Committee that Housing, Construction and Building Services had agreed to fully implement all of the audit recommendations.

In response to a question raised by Councillor McGinty, the Maintenance Manager provided details of the revised system for ensuring effective gas repairs processes in non-housing properties.

The Internal Audit Manager considered that implementation of the audit recommendations would provide for an appropriate level of control over gas maintenance of non housing properties.

#### Decision

To note the terms of the report.

#### 4. SHARED RISK ASSESSMENT ASSURANCE AND IMPROVEMENT PLAN

The Committee considered a report (copies of which had been circulated) by the Internal Audit Manager informing the Committee of the updated Assurance and Improvement Plan (AIP) prepared jointly by the council's external scrutiny bodies. The AIP was attached to the report as an appendix.

The Internal Audit Manager explained that, as part of the process of ongoing scrutiny, the local area network (LAN) of scrutiny bodies had revised its assessment of risks to produce an updated AIP and reconsidered the level of scrutiny required for the council. The appendix to the attached AIP provided a revised timetable for proposed scrutiny activity.

The Internal Audit Manager considered that the updated AIP had concluded that West Lothian Council continued to make good progress against the majority of the outcomes defined in the Single Outcome Agreement (SOA) while delivering a range of quality services. Once again no significant scrutiny risks had been identified by the scrutiny bodies.

#### Decision

To note the updated Assurance and Improvement Plan (AIP).

#### 5. AUDIT SCOTLAND REVIEW OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) SHADOW FINANCIAL STATEMENTS

The Committee considered a report (copies of which had been circulated)

by the Head of Finance and Estates informing the Committee of the outcome of Audit Scotland's review of the councils IFRS shadow financial statements for the year to 31<sup>st</sup> March 2010. A copy of the report issued by Audit Scotland was appended to the report.

The Head of Finance and Estates presented the report and informed the Committee of the main findings of the review. It was noted that Audit Scotland had concluded that the council had made good progress in the transition to implementing IFRS. The core statements within the shadow financial statements incorporated accounting treatment in key areas affected by the introduction of IFRS.

#### Decision

To note the terms of the report.

### 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 items on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 12 (agenda item 10), paragraphs 8 and 9 (agenda item 11) and paragraph 1 (agenda item 12)

### 7. INVESTIGATION OF LEASE ASSIGNATION, COWHILL, WHITBURN

The Committee considered a report (copies of which had been circulated) recalling that, in March 2010, the Audit Committee had considered a report by the Internal Audit Manager concerning an investigation of a lease assignation at Cowhill, Whitburn and, at the request of the Chief Executive, the Internal Audit Manager had undertaken a further investigation. The report provided an audit report by the Internal Audit Manager which set out the findings and recommendations of this further investigation. It was noted that the audit report should be read in conjunction with the previous report dated 9<sup>th</sup> March 2010.

The Internal Audit Manager advised that, as recommended in his audit report, the Chief Solicitor had conducted a review of the operation of council related companies to ensure that their administration was on a sound footing and in accordance with the provisions of their memorandum and articles. The Chief Solicitor had concluded that the company secretary role should remain with an officer at head of service level. Accordingly, it was recommended that the company secretary role transferred to the Head of Corporate Services, with Legal Services supporting this role.

The Committee was informed that the council had commissioned SOLACE enterprises to conduct an independent review of the council's planning, property and economic development activities in relation to Cowhill. The findings of this report were consistent with the internal audit

work, and did not contradict any of the Internal Audit Manager's findings.

The Internal Audit Manager had concluded that there was no evidence of any unlawful or unethical behaviour by any officer of the council. However, he considered that the administration of the affairs of West Lothian Enterprise during 2006 had been unsound. The recommendation that the council should conduct a review of its arrangements with related companies had been implemented.

Questions raised by members of the Committee were then dealt with by the Internal Audit Manager. In relation to the report to the administration group referred to in the audit report, the Chief Legal Officer advised that the document was not held by the Council and, as such, would not be made available to the Committee under Freedom of Information legislation.

### Decision

1. To note the terms of the report and the outcome of the Internal Audit Unit's further investigation of the assignation of a lease at Cowhill, Whitburn.
2. To note the conclusion of the audit report and the agreed action to be taken.

## 8. INVESTIGATION OF AUTOMATIC PUBLIC CONVENIENCE CONTRACT

The committee considered a report (copies of which had been circulated) by the Internal Audit Manager concerning an investigation into an Automatic Public Conveniences (APC) contract.

The Internal Audit Manager recalled that the contract had been for the provision and maintenance of 13 APC's at various locations in West Lothian. At the request of the Depute Chief Executive (Corporate Operational and Housing), an investigation into the procurement of an additional 14<sup>th</sup> APC had been undertaken.

The report set out the remit, scope and findings of the audit, together with an action plan agreed with management.

The Internal Audit Manager had concluded that the 14<sup>th</sup> APC had been ordered in breach of EU legislation and council standing orders. The Internal Audit Unit's findings and recommendations for improvement were set out in the Action Plan appended to the report.

The Internal Audit Manager responded to questions raised by members of the Committee, clarifying the position with regard to the ordering of the 14<sup>th</sup> APC in February 2007, and explaining that a separate tender should have been advertised in the Official Journal of the European Union due to the value of the unit.

The Committee then heard from the Head of Finance and Estates

concerning a council-wide review of procurement arrangements. It was noted that a review had been undertaken and a report on the subject would be submitted to the Partnership and Resources Policy Development and Scrutiny Panel on 17<sup>th</sup> June 2011. Thereafter, the report would be forwarded to the Council Executive for approval and early implementation of the recommendations.

In response to further questions raised, the Chief Executive undertook to provide members with details of the nature of the contract between the Council and the officer responsible for the ordering of the 14<sup>th</sup> APC, with particular reference to the termination, or natural end, of the contract.

#### Decision

To note the conclusion of the audit report and the agreed action to be taken.

### 9. INVESTIGATION OF ALLEGATIONS RELATING TO BURNHOUSE SCHOOL, WHITBURN

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 allegations relating to Burnhouse School, Whitburn.

The Internal Audit Manager advised that the investigation had been undertaken, at the request of the Chief Executive, into allegations of fraud, theft, bullying and other inappropriate employment practices relating to Burnhouse School. The matters investigated were set out in appendix B to the audit report and Appendix C provided a timeline of events which might be of assistance to the Committee in considering this matter.

In his audit report, the Internal Audit Manager concluded that he had identified no evidence of fraud or theft. However, some areas of concern had been identified, and these were outlined in the audit report.

Appropriate recommendations, together with an action plan, were included as an appendix to the report.

In his Audit report, the Internal Audit Manager had identified that there had been errors in relation to the coding of pupil attendances at the school. On this matter, the Head of Education (Quality Assurance) responded to questions raised and spoke of the use of SEEMIS for absence recording. The Head of Education (Quality Assurance) also clarified the position in relation to codes for “attendance out of school”.

#### Decision

To note the conclusion of the audit report and the agreed action to be taken.

