



**MINUTES OF THE MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE**

**TUESDAY 19 JUNE 2012  
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

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**Committee Members Present:**

Councillor S Currie (Convener)  
Councillor S Brown  
Councillor J Caldwell  
Councillor A Forrest  
Councillor J Goodfellow  
Councillor P McLennan  
Councillor K McLeod  
Councillor J Williamson

**Other Councillors Present:**

Councillor J McMillan

**Council Officials Present:**

Mrs A Leitch, Chief Executive  
Mr A McCrorie, Executive Director (Support Services)  
Ms M Patterson Executive Director (Services for Communities)  
Mr J Lamond, Head of Council Resources  
Mr P Vestri, Corporate Policy Manager  
Ms M Ferguson, Corporate Legal Adviser  
Ms M Garden, Internal Audit Manager  
Ms J Mackay, Media Manager  
Mr S Allan, Senior Auditor  
Mr A Strickland, Policy Officer

**Clerk:**

Ms A Smith

**Visitors Present:**

Ms A Taylor, KPMG

**Apologies:**

None

**Declarations of Interest:**

In relation to Item 10 Councillors Caldwell and Forrest declared an interest as Council representatives on Musselburgh Joint Racing Committee.

The Convener welcomed everyone to the first meeting of the Audit and Governance Committee after the local government elections. He gave thanks to the previous Convener, Neil Rankin, stating he had served the Committee well.

## **1. INTERIM MANAGEMENT REPORT – INFORMATION TECHNOLOGY**

KPMG submitted their Interim Management Report on Information Technology.

Ally Taylor presented the report, informing Members that the report summarised the findings of KPMG's work on the IT control environment and financial IT systems within East Lothian Council. An IT general controls review of key financial systems had been conducted to evaluate whether these IT controls were appropriately designed and were operating effectively. The review had covered 4 specific areas: access to programmes and data, programme changes and developments, computer operations, and end-user computing. Ms Taylor drew attention to the Action Plan, which summarised the 4 recommendations, related risks and agreed management action; she advised that none of the recommendations were high priority.

### **Decision**

The Committee noted the report.

## **2. REVIEW OF THE USE OF THE GUIDE TO SCRUTINY AND REVIEW BY THE AUDIT AND GOVERNANCE COMMITTEE**

A report was submitted by the Executive Director (Support Services) regarding reviewing the operation of the scrutiny function in relation to the Audit and Governance Committee's use of the Guide to Scrutiny and Review.

The Corporate Policy Manager, Paolo Vestri, presented the report and outlined the background. He reported that the Committee could demonstrate areas of good practice; it had carried out its function effectively. He drew attention to the development of a work programme. He referred to the powers and current practice of the 2 scrutiny committees. The Guide to Scrutiny and Review was appended to the report.

Councillor McLeod asked for clarification of the decision making powers of this Committee, in reference to a previous report recommendation. Mr Vestri advised that he would look into this.

Councillor McLennan made reference to developing national policies and the impact on East Lothian and asked if there was a role for this Committee. The Chief Executive, Angela Leitch, advised that there were other forums where the development of policy took place in relation to the national agenda and how it applied locally; it would not be within the remit of this Committee or the PPRC.

The Convener commented that there may be occasions when the 2 scrutiny committees would make recommendations to Council/Cabinet. He made reference to the wide remit of the Audit and Governance Committee. He encouraged colleagues, if there were appropriate issues to go to Council/Cabinet, to utilise the strength of this Committee to take these forward.

## **Decision**

The Committee noted the report and agreed to establish a work programme for the Audit and Governance Committee.

### **3. AN OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND**

A report was submitted by the Executive Director (Support Services) regarding reviewing East Lothian Council's position in relation to the findings of the Audit Commission report 'An Overview of Local Government in Scotland 2012'.

Mr Vestri informed the Committee that the overview report by the Accounts Commission should have been circulated with this report; ideally Members should have had sight of this before considering this report. He suggested that this item be continued to the September meeting.

## **Decision**

The Committee agreed to continue this item to the next meeting in September.

### **4. CORPORATE GOVERNANCE SELF-EVALUATION / ANNUAL GOVERNANCE STATEMENT 2011/12**

A report was submitted by the Executive Director (Support Services) advising the Committee of the outcome of the 2012 Corporate Governance Self-evaluation.

Mr Vestri presented the report, outlining the background and drawing attention to the detailed self-evaluation attached as an appendix. He highlighted the 5 improvement points that had been identified as actions that would ensure the Council could better meet its corporate governance responsibilities. He stated that these improvement points would be reflected in the Corporate Improvement Plan that would be considered by Council on 26 June 2012; if approved by Council it would be reported in the draft annual accounts.

In response to questions from Councillor McLennan, Mr Vestri confirmed that the self-evaluation was done annually, but the improvement points within the Corporate Improvement Plan would be reported every 3/6 months either to this Committee or Cabinet.

There was considerable discussion about elected members' CPD. Mr Vestri, responding to Councillor Williamson's questions, advised that CPD would be launched in the autumn for returning councillors and in the new-year for new councillors.

The Convener commented that the most effective approach in relation to training would be to get Members together as appropriate. Mr Vestri indicated that most of the CPD was done by e-learning. He referred to the possibility of a training session delivered by CIPFA for Audit and Governance Committee members. The Convener stated that this would be ideal. He suggested reviewing training requirements in 6 months; he recommended that colleagues, on a collective basis, discuss training requirements.

The Head of Council Resources, Jim Lamond, welcomed the comments made; adding that early training from CIPFA would help identify further training needs.

Mrs Leitch advised that CPD could take any form that Members felt may be of benefit, a range of different techniques was available; if training from other organisations would be of use this could be arranged.

The Convener referred to the Council's benchmarked local authorities and suggested it may be useful to see how other councils carried out their training. He also asked colleagues to consider observing an Audit Committee at another local authority.

### **Decision**

The Committee considered the self-evaluation (Appendix 1) and approved the summary (paragraph 3.4) for inclusion in the Annual Governance Statement that would be included in the Council's Annual Accounts 2011/12.

## **5. COUNCIL TAX REFUNDS**

A report was submitted by the Executive Director (Support Services) informing the Committee of the recently issued audit report on Council Tax Refunds.

The Internal Audit Manager, Mala Garden, presented the report. She outlined the background and drew attention to areas where expected controls were met and areas with scope for improvement. She referred to the Action Plan and informed Members that all recommendations had been accepted by management.

Ms Garden, in response to questions from Members, provided further details on the procedure regarding refunds.

The Convener raised issues in connection with the agreed dates of completion within the Action Plan. Ms Garden advised that follow-up reports would be carried out; however these would be done in the following year to allow time for the Action Plan to be implemented.

Mr Lamond informed Members that Internal Audit, Council Management Team and the manager concerned had reached agreement regarding agreed dates of completion and assured the Committee that these dates could be met.

Mr Vestri clarified that the Internal Audit Work Plan would be incorporated in the Annual Work Plan.

### **Decision**

The Committee noted the contents of the Executive Summary and Action Plan for Council Tax Refunds.

## **6. NON-DOMESTIC RATES LIABILITY**

A report was submitted by the Executive Director (Support Services) informing the Committee of the recently issued audit report on Non-Domestic Rates Liability.

Ms Garden presented the report, highlighting areas where expected controls were met and areas with scope for improvement. In relation to the Action Plan she advised that all recommendations had been accepted by management.

The Convener referred to comments made regarding the previous item and noted that follow-up reports would be provided.

### **Decision**

The Committee noted the contents of the Executive Summary and Action Plan for Non-Domestic Rates Liability.

## **7. INTERNAL AUDIT TERMS OF REFERENCE**

A report was submitted by the Executive Director (Support Services) informing the Committee of the Internal Audit Terms of Reference.

Ms Garden presented the report. She informed Members that the Terms of Reference had been updated to reflect the requirements of the CIPFA Code of Practice and the recent changes to the Council's organisational structure. The Terms of Reference, attached as an appendix to the report, set out the approach adopted by Internal Audit in undertaking its responsibilities and providing an annual assurance opinion to the Council.

### **Decision**

The Committee approved the Internal Audit Terms of Reference.

## **8. INTERNAL AUDIT ANNUAL REPORT 2011/12**

A report was submitted by the Executive Director (Support Services) informing the Committee of Internal Audit work carried out during the period from April 2011 to March 2012.

Ms Garden presented the report, drawing attention to Appendix A which detailed the audit work undertaken in 2011/12, key findings and number of recommendations. She stated that the work undertaken in financial year 2011/12 formed the basis of this report and the findings from their audits had informed Internal Audit's Controls Assurance Statement for 2011/12.

In response to questions from the Convener, Ms Garden advised that in terms of each audit mentioned in this report a further follow-up report would be brought to the Committee on progress made in respect of these recommendations. She asked if it would be helpful for Members to receive a summary at year-end.

Councillor Caldwell commented that it would be more important to get an exception report, with reasons why a recommendation had not been carried out.

The Convener agreed that exception reports would be more useful. He added that a year-end summary report to the Committee would also be beneficial.

### **Decision**

The Committee noted the contents of the Internal Audit Annual Report 2011/12.

In addition, the Internal Audit Manager would, in future, provide exception reports and a year-end summary to the Committee.

## **9. CONTROLS ASSURANCE STATEMENT 2011/12**

A report was submitted by the Internal Audit Manager regarding the Controls Assurance Statement for 2011/12.

Ms Garden presented the report, outlining the objectives of the Council's internal control systems, the work of Internal Audit and the sources that informed her evaluation of the control environment. She drew attention to the areas with scope for improvement, including the 6 additional areas. She concluded that in her opinion, subject to the weaknesses outlined in section 3.4 of the report, reasonable assurance could be placed on the adequacy and effectiveness of East Lothian Council's internal control systems for the year to 31 March 2012.

In response to questions from Councillor McLennan, Ms Garden referred to the areas with scope for improvement and advised that these were based on audits carried out in the Audit Plan 2011/12; all recommendations had been accepted and were detailed within Item 8 on the agenda. She clarified that Action Plans for each audit included agreed dates of completion.

The Convener commented that it would be useful, where there was cross referencing of items on the same agenda, to have this highlighted in the relevant reports. Following further discussion Ms Garden confirmed that, where possible, this would be done for future reports.

### **Decision**

The Committee noted that the Controls Assurance Statement was a formal confirmation of Internal Audit's opinion on the Council's control environment for the year ended 31 March 2012.

In addition, the Internal Audit Manager would, for future reports, provide cross referencing where possible.

*Sederunt – Councillor McMillan left the meeting*

## **10. SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION**

The Committee agreed to exclude the public from the following business containing exempt information by virtue of Paragraph 6 (information concerning the financial or business affairs of any particular person other than the Authority) of Schedule 7A to the Local Government (Scotland) Act 1973.

### **Governance Arrangements – Musselburgh Racecourse**

A private report submitted by the Executive Director (Support Services) regarding the Governance Arrangements at Musselburgh Racecourse was noted.