

REPORT TO: Audit & Governance Committee

MEETING DATE: 19 March 2013

BY: Chief Executive

SUBJECT: 2012/13 Council Improvement Plan Monitoring Report

1

1 PURPOSE

- 1.1 To present the 2012/13 Council Improvement Plan monitoring report to the Audit and Governance Committee.

2 RECOMMENDATIONS

- 2.1 That Audit and Governance Committee notes the monitoring report (Appendix 1) and considers whether it wishes to seek further reports on any items in the Plan.

3 BACKGROUND

- 3.1 The latest 2012/13 Council Improvement Plan was approved by Council on 26th June 2012. A six-month monitoring report was considered by the Audit and Governance Committee on 13th November 2012.
- 3.2 The action points in the Council Improvement Plan are primarily drawn from the results of the How Good is Our Council? (HGIOC) self-evaluation carried out by all services and the Corporate Governance self-evaluation (reported to Audit & Governance Committee, 19th June 2012). The results of the 2012 Employee Engagement Survey were also taken into account. The Plan also contains relevant improvement points and actions from Audit Scotland's Overview of Local Government in Scotland, Audit Scotland's Annual Report to Members and the Shared Risk Assessment prepared by the Local Area Network.
- 3.3 One of the four objectives of the Council Plan 2012-2017 is: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.* All the improvement points in the 2012/13 Plan will contribute to growing the capacity of the Council to meet this outcome. Also, the Plan supports the Council's improvement programme based around the following four key elements:
- Services built around people and communities

- Effective, efficient and excellent services
- Working together to achieve outcomes
- Prioritising prevention and promoting equality

3.4 This latest monitoring report outlines progress with implementing the 20 action points in the Improvement Plan. It shows that, whilst the timescale for some of the action points have had to be put back, all action points have either been achieved or are in the process of being achieved.

4 POLICY IMPLICATIONS

4.1 The 2012/13 Council Improvement Plan assists the Council in demonstrating that it is achieving Best Value. It provides the necessary focus to improve key areas of the Council at a corporate level, thus aiding delivery of the Council Plan. Moreover, it supports the Council in its striving for continuous improvement, to improve the quality and delivery of its services and to meet the Council Plan objective: *Growing the capacity of our Council to deliver excellent services as effectively and efficiently as possible within our limited resources.*'

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – none.

6.2 Personnel – none directly, although certain actions within the Plan are likely to require the commitment of staff resources.

6.3 Other – none.

7 BACKGROUND PAPERS

7.1 2012/13 Council Improvement Plan; report to Council, 26th June 2012 and to Audit and Governance Committee, 18th September 2012

7.2 2012/2013 Council Improvement Plan Monitoring Report; Audit and Governance Committee, 13th November 2012

7.3 Appendix 1: 2012/13 Council Improvement Plan Monitoring Report, February 2013

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DATE	7 th March 2013

Appendix 1:

**2012/13 Council Improvement Plan
Monitoring Report
February 2013**

We deliver excellent services as effectively and efficiently as possible

	Required Action	Timescale	Lead	Update
1	Complete review of Schemes of Administration and Delegation (included in the Council's Standing Orders)	Aug 2012 Revised – June 2013	Legal and Governance & Democracy	A comprehensive review of Standing Orders and Schemes of Administration and Delegation has been carried out and members will be consulted on the new draft Standing Orders prior to presentation to the June Council meeting.
2	Expand and make more effective use of performance information and benchmarking including benchmarking of cost information Undertaking best value reviews of two or three service areas	Oct 2012 <i>Revised – April 2013</i> Mar 2013	Policy & Performance Policy & Performance and relevant services	Guidance on revising performance information is being issued to services. The Policy Performance and Review Committee is being consulted on the revised performance indicators. A framework for more rigorous and comprehensive approach to Benchmarking is being prepared. This will be linked to the publication by the Improvement Service of national cost and performance benchmarking data which will be reported to the April Policy Performance and Review Committee. A framework for undertaking best value reviews is being prepared and will form part of the Council's Transformation programme.

3	Review How Good Is Our Council process and guidance and integrate with Investor in People and Customer Service Excellence frameworks	Oct 2012	Policy & Performance and Human Resources	How Good is Our Council (HGIOC) process and guidance has been revised and linked closely to Investors in People and Customer Service Excellence frameworks. Services are carrying out HGIOC self-evaluations using the new framework.
4	<p>Increase capacity for research and analysis including:</p> <ul style="list-style-type: none"> • sharing resources for data collection and analysis across the Council and Community Planning Partnership, including developing the use of Geographic Information System • developing shared data sharing protocols • investigate the potential to better interrogate / utilise existing datasets or information systems to provide an improved understanding of diversity in the community 	Nov 2012 <i>Revised – Mar 2013</i>	Policy & Performance	<p>A multi-agency task group to produce a new East Lothian Data Profile and Ward Profiles has been established and the profiles will be ready by the end of march</p> <p>The group will consider data sharing protocols and sharing resources to maintain and update the profile.</p>
5	Complete the review of Community Planning Partnership governance arrangements and structures within the context of the national review and embed system of Local Community Planning	Nov 2012 <i>Revised – Mar 2013</i>	Policy & Performance	The Community Planning Partnership (CPP) Board (Dec 2012) agreed a new structure in principle and work is ongoing on the detail of how the new structure will operate. This work is being report to the CPP Board, 11 th March
6	Review and revise the reports template	Nov 2012 <i>Revised - June 2013</i>	Governance & Democracy	The report template will be revised following adoption of new Standing Orders (see 1 above).

7	Promote the Council Plan and the Single Outcome Agreement to all staff and East Lothian citizens	Dec 2012 & June 2013	Chief Executive	<p>A communication plan has been drawn up to promote the Council Plan to staff and the public. A summary of the Plan has been produced and is available on the Council website. Posters and pull out banners publicising the Plan's four priorities are being produced for display in Council offices. Further information about the Plan will be included in future Team Talks. The CMT has begun a series of staff Q&A sessions in council offices and these will include discussion about the Council plan.</p> <p>The new Single Outcome Agreement (SOA) will be agreed by June 2013 and a communications plans to promote the new SOA will be drawn up.</p>
8	<p>Review policies in line with new Equalities Act duties, including:</p> <ul style="list-style-type: none"> • develop improved monitoring regarding equalities and indicators to demonstrate the equality aspect of the Council's mainstream work • review and revise provision of equalities training 	Dec 2012	Policy & Performance and all Heads of Service	<p>An equalities monitoring framework has been developed.</p> <p>A draft Equality Plan has been issued for consultation and will be submitted to Council in April.</p> <p>Equalities training is being reviewed.</p>
9	<p>Review and revise Service Planning process and guidance, including:</p> <ul style="list-style-type: none"> • identification of risk • links between budget process, service planning and employee development 	Dec 2012	Policy & Performance	<p>Service Planning guidance has been revised and was issued to services in early 2013.</p>

10	Roll out Continuous Professional Development for all elected members	April 2013	Governance & Democracy	<p>The Improvement Service's Continuous Professional Development programme for elected members was presented to members on 30th Oct 2012. The CPD will be launched to member in March with a view to encouraging members to participate in the programme. An elected members' briefing session on Treasury Management (30th Oct) was attended by 10 members. Training on the role of the Audit and Governance Committee, due to be held in late 2012, had to be re-scheduled and will now take place in the spring.</p>
11	<p>Review Customer Contact Strategy including:</p> <ul style="list-style-type: none"> • expanding the services available through the Council Contact Centre and the Council's website • improving our response to complaints and ensuring feedback is used to review and improve services • joining up services • developing customer service training and setting customer care standards. 	Feb 2013	Customer Services	<p>The Customer Contact Strategy covered the three years 2010 – 2012 and the Strategy will be reviewed to cover 2013 – 2015. This will include a requirement for a Customer Access (Channel Shift) Strategy to be implemented. With regard to reviewing channels, a service review on face to face services is being undertaken to be completed for September 2013.</p> <p>A new Complaints Handling Procedure has been introduced from 1st September 2012 with staff and elected member briefings to be undertaken over next six months on the new two stage procedure.</p> <p>Complaints will be reported on a six monthly basis to the Policy Performance and Review Committee and annually to the Council.</p> <p>The customer care standards are currently being reviewed.</p>

12	Develop guidance to ensure that services have a consistent approach to achieving efficiency savings (e.g. to ensure that one off savings and ongoing savings are not treated in the same way)	Feb 2013	Finance	This was considered alongside the guidance being prepared on preparations for the 2013/14 budget.
13	Implement the Consultation and Engagement Strategy, ensuring greater co-ordination of consultation and engagement activities across the Council and Community Planning Partnership	Mar 2013	Policy & Performance	The Consultation and Engagement Strategy is being implemented. A Consultation hub has been established on the Council website and is now being used to promote a wide range of consultation exercises.
14	Further develop asset management planning, including the use of options appraisal and joint asset planning with Community Planning partners	Mar 2013	Housing & Environment	A draft Asset Management Plan has been submitted to the Member's Library. The Council Management Team has established a Strategic Asset Management group to enhance current and future asset planning. This group will continue to develop a co-ordinated approach to Asset Management and ensure effective governance. All capital programmes will be overseen by this group and it will feed in to recommendations for Council and Cabinet.

15	Identify and exploit opportunities for making savings by making more efficient use of staff resources through internal shared services and by working in partnership with Community Planning partners	Mar 2013	Council Management Team	<p>The Council Management Team is developing a programme management approach to projects which brings staff from across the Council together in working or task groups to take forward new initiatives (e.g. Welfare Reform Task Group). The Joint Liaison Group with Midlothian Council continues to explore opportunities for collaborative working (e.g. six-month trial of sharing Health and Safety Adviser post). The Community Planning Partnership supports new approaches to collaboration including the Change Fund. The Council Plan includes a firm commitment to exploring opportunities for collaboration and co-production with the enterprising third sector.</p> <p>Through the Council Management Team, a broader Transformation Programme is taking shape, the main aims of which will be to:</p> <ul style="list-style-type: none"> • Review management costs • Transform how we deliver more integrated support services such as admin, policy and strategy • Enhance the coordination of local area service delivery to address community priorities • Develop partnership working and integration with other organisations to improve the strategic outcomes for the Council.
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16	Develop a leadership development programme for senior managers to increase their skills and capability to manage change, to promote and encourage a culture of innovation, continuous improvement and best value across the Council	Mar 2013	Council Management Team	A Leadership Development Programme has been put in place including a series of 'Masterclasses' for managers. A Leadership Programme reference group has been established and will review the masterclasses and develop proposals for the next phase, including rolling the programme out to middle managers and team leaders.
17	Implement the Procurement Improvement Plan including the development of the process for monitoring of contracts	Mar 2013	Finance	The Procurement Improvement Plan is being implemented. The latest Procurement Capability Assessment which was carried out on 29 th October 2012 resulted in a significant improvement in the overall score from 32 to 44.
18	Review governance of arms length services, commissioned services and partnerships including: <ul style="list-style-type: none"> • development of a greater understanding of exposure to risk relating to arms length /outsourced / commissioned services • incorporate monitoring of commissioned / outsourced services into performance indicators 	Mar 2013	Legal / Finance / Policy & Performance	The Council's relationship with arms length services, commissioned services and partnerships is reviewed as service level agreements and partnership funding is considered. The revision of the Council's performance indicators will include consideration of performance monitoring for commissioned/ outsourced services.
19	Establish arrangements for scrutiny of and engagement with the new national Police and Fire and Rescue services	Mar 2013	Policy & Performance and Governance & Democracy	The Shadow Police and Fire Board has been established and has met four times. The final meeting (4 th March 2013) considered and approved recommendations for permanent arrangements to be set up in April.

20	Further develop the Council's approach to options appraisal to ensure Best Value and the highest standard of financial planning	Mar 2013	Policy & Performance	A framework for undertaking best value reviews is being prepared and will form part of the Council's Transformation programme
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REPORT TO: Audit & Governance Committee
MEETING DATE: 19th March 2013
BY: Executive Director (Support Services)
SUBJECT: Valuation Policies & Procedures

2

1 PURPOSE

- 1.1 To record the results of a review of valuation policies and procedures carried out over the past few months.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the contents of this report and the implications for future financial statements.

3 BACKGROUND

- 3.1 East Lothian Council, as a key deliverer of services to the public, owns and manages significant assets. Within the Council's financial statements these are recorded on the Balance Sheet. An extract from the Balance Sheet is included at Appendix A and shows that, at the end of the 2011/12 financial year, the Council owned assets which either cost or were valued at £828.425 million.

- 3.2 On the Balance Sheet these assets are split between the various categories;

- Council Dwellings – dwellings within the Housing Revenue Account
- Other land & buildings - this is the largest category and includes all the Council's offices, schools estate and community centres.
- Vehicles, Plant, Furniture & Equipment – examples include refuse lorries, IT systems and office furniture.

- Infrastructure Assets – examples include roads, bridges and flood prevention/coastal defences.
 - Community Assets – parks & cemeteries.
 - Surplus Assets – this includes those assets which are surplus to requirements but do not meet the strict criteria for those assets which are being held for sale (see below).
 - Assets Under Construction – this is a holding category which is used until the asset is completed at which point it moves over to its permanent category. These are most likely to be either Council Dwellings or Other land & buildings.
- 3.3 In addition to these there are two further categories of assets which are reported on the face of the Balance Sheet. These are;
- Heritage Assets – these include assets with specific historical or artistic qualities that are held for their contribution to knowledge or culture. Within East Lothian this includes the Council's paintings.
 - Assets Held for Sale - for an asset to fall within this category it is necessary that the asset must be available for sale, there must be a commitment to sell and it must be being actively marketed.
- 3.4 A key principle of accounting is that all non-current assets (Property, Plant, Equipment, Assets Held for Sale etc) are included in the Balance Sheet at their 'fair value'. This is defined as *'the amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's length transaction'*.
- 3.5 There are differences in how this is interpreted across the various categories of assets. In the case of Council Dwellings and Other land & buildings the assessment of fair value requires periodical valuations.
- 3.6 The Code of Practice on Local Authority Accounting (the Code) specifies that assets required to be carried at fair value shall have a valuation at least every five years. This has been the practice within East Lothian.
- 3.7 In order to achieve this, the portfolio has been split into three tranches. The first relates to Council Dwellings and these are valued in one tranche. The Other land & building total is split and valued in two tranches - one relates primarily to the 'Industrial Lets' and the second larger tranche relates to the school estate, community centres and other buildings used for service delivery. The final group relates to new buildings. These are added to the respective category once they come up to the five year valuation period.
- 3.8 Valuations are currently carried out by either the Council's own team of surveyors or by external advisers.
- 3.9 The Committee will be aware that at its September meeting it considered the 'ELC ISA 260 Report to those charged with governance' by the

Council's auditors. In this report the auditors made a number of recommendations. In particular they recommended that management should review the valuation policy and procedures to ensure compliance with the Code and accounting standards. This should include reviewing ;

- The rolling basis of valuations;
- The date of valuation of assets i.e. 31 March versus 1 April; and
- How the appropriateness of the carrying values of all assets at the balance sheet date is documented.

3.10 The finance team have been working on a review of valuation processes and procedures over the past few months. A number of general points and then specific points were noted about valuation processes and procedures. In relation to the former;

- There is no evidence of non-compliance with the Code in relation to asset valuations.
- There is potential to split the valuation of the 'Other land & buildings' category into three tranches. This would involve splitting the large tranche which includes the schools estate, community centres and office buildings into two separate tranches. These would be valued in separate years.
- The method by which Council Dwellings are valued, alongside the prospective cost mitigates against the idea of splitting this valuation. No changes are suggested here.
- In future, to tie in with the Balance Sheet date, valuers will be asked to provide valuations as at 31 March rather than 01 April.
- Future external valuation services are likely to be let as one package with the valuers being asked to provide annual reports covering relevant market conditions/fair values and the likely impact on carrying values.

3.11 A summary of the new tranches which could operate for property valuations, their prospective date of valuation and how their subsequent carrying value might be assessed is contained at Appendix B. The net effect of this is that the Council is likely to have a rolling review of valuations with a selection of the Council's property portfolio being valued in four of the five years. In addition, the requirement to value new constructed properties after five years and the requirement to value Assets Held for Sale means that there is unlikely to be a year where there are no revaluations taking place.

3.12 In relation to some specific points noted as a result of the review;

- There were three assets currently shown under the 'Community Assets' category which should, more properly, be shown under 'Other land & buildings'. These will be reclassified as part of the

2012/13 accounts preparation and valuations have been sought where the amounts might be significant.

- Two assets were identified which did not have fully current valuations. In these instances they were newly constructed assets which were then missed from the subsequent valuation – meaning that their fair value were beyond the five year period. The new capital accounting software, introduced two years ago, now makes it easier to identify those assets which do not have a current valuation.

4 POLICY IMPLICATIONS

4.1 None.

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – As outlined above.

6.2 Personnel - None.

6.3 Other – None.

7 BACKGROUND PAPERS

7.1 Audit & Governance Committee 18 September 2012 – Item 1 “ELC ISA 260 Report to those charged with governance”.

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Property, Plant and Equipment

	Council Dwellings	Other land and buildings Restated	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment	PFI Assets Included in PPE
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
At 1 April 2011 (as restated)	293,130	345,783	27,023	57,441	19,297	82	19,010	761,766	90,296
Additions	29,704	7,357	4,662	7,060	2,198	-	20,517	71,498	363
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	13,653	-	-	95	-	15	13,763	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(15,949)	-	-	(91)	(5)	(172)	(16,217)	-
Derecognition - Disposals	(742)	(512)	(710)	-	-	-	-	(1,964)	-
Asset Reclassified	-	(325)	-	-	-	-	-	(325)	-
Other Movements in cost or valuation	10,580	12,061	-	-	10	(14)	(22,733)	(96)	-
At 31 March 2012	332,672	362,068	30,975	64,501	21,509	63	16,637	828,425	90,659
Accumulated Depreciation and Impairment									
At 1 April 2011 (as restated)	(34,463)	(9,258)	(17,339)	(10,798)	(1,663)	(1)	(38)	(73,560)	(1,510)
Depreciation Charge	(8,638)	(10,675)	(3,849)	(3,041)	(509)	-	-	(26,712)	(2,821)
Depreciation written out to the Revaluation Reserve	-	42	-	-	-	-	-	42	-
Depreciation written out to the Surplus/Deficit on the provision of services	-	3,587	-	-	3	-	12	3,602	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(1,450)	-	-	-	-	-	(1,450)	-
Derecognition - Disposals	90	50	658	-	-	-	-	798	-
Other movements in depreciation or impairment	(311)	307	(563)	562	-	-	12	7	-
At 31 March 2012	(43,322)	(17,397)	(21,093)	(13,277)	(2,169)	(1)	(14)	(97,273)	(4,331)
Net Book Value									
At 31 March 2012	289,350	344,671	9,882	51,224	19,340	62	16,623	731,152	86,328
At 1 April 2011 (as restated)	258,667	336,523	9,684	46,643	17,634	81	18,972	688,204	88,786

EAST LoTHIAN COUNCIL

APPROACH TO ASSET VALUATIONS

Description	Types of Asset	Date of next valuation	Internal/External	Validation in future years
Tranche One	Council Dwellings	31/03/2014	External	Desktop review
Tranche Two	Industrial Lets	31/03/2015	Internal	Combination of Desktop Review from Valuers and Market Indicators e.g. BCIS indices.
Tranche Three	Portfolio of schools, community centres, office buildings etc	31/03/2016	External	Combination of Desktop Review from Valuers and Market Indicators e.g. BCIS indices.
Tranche Four	Portfolio of schools, community centres, office buildings etc	31/03/2016	External	Combination of Desktop Review from Valuers and Market Indicators e.g. BCIS indices.
Tranche Five	Newly Constructed Assets	Various	External	Combination of Desktop Review from Valuers and Market Indicators e.g. BCIS indices.

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 March 2013
BY: Executive Director (Support Services)
SUBJECT: Internal Audit Report – Council Tax

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Council Tax.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Council Tax.

3 BACKGROUND

- 3.1 A review of Council Tax reconciliations was undertaken as part of the audit plan for 2012/13.
- 3.2 The main objective of the audit was to ensure that the arrangements in place for undertaking Council Tax reconciliations were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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DESIGNATION	Internal Audit Manager
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DATE	8 March 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT COUNCIL TAX

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Council Tax reconciliations was carried out as part of the Audit Plan for 2012/13. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Reconciliations are undertaken to ensure that the total number of properties in each band on the Capita system, reconciles to the property control totals on the Assessor's interface report.
- The total number of bills produced as part of the annual billing run is reconciled to the total number of live properties on the Capita system.
- The opening gross Council Tax debit is reconciled to the total number of chargeable properties on the Capita system.
- Systems are in place to ensure that new and amended Council Tax bills are properly raised and issued as part of the weekly billing run.
- Adequate procedures are in place to ensure that all income collected through the cash receipting system is correctly posted to both the Capita system and the general ledger.
- Systems are in place to ensure that the monthly balances from the Capita system are correctly reflected in the general ledger.

1.3 Areas with Scope for Improvement

- There was insufficient information or explanations on file to support the adjustments made during the annual billing process for scheduled accounts. *Risk – lack of a clear audit trail.*
- There was a lack of segregation of duties in respect of the printing and dispatch of 'failed' bills. *Risk – errors and irregularities may remain undetected.*
- The existing arrangements for changing passwords require review – passwords for encrypted files were not changed on a regular basis. *Risk – unauthorised access may occur.*

1.4 Summary

Our review of Council Tax reconciliations identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main audit report.

Mala Garden
Internal Audit Manager

March 2013

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that reconciliations of properties between the Capita system and the Assessor's report are undertaken timeously.	Revenues Manager	To be confirmed		
3.1.2	A person independent of processing should check the reconciliation of the property control totals and sign the reconciliation sheet as evidence of the check being carried out.	Revenues Manager	To be confirmed		
3.2.1	Management should ensure that a clear audit trail exists for all adjustments made to the number of bills produced during the annual billing process.	Systems and Control Team Leader	Agreed		April 2013
3.2.3	Management should ensure that there is adequate separation of duties in place for the printing and dispatch of 'failed' bills.	Systems and Control Team Leader	Agreed		April 2013
3.2.5	Evidence should be obtained to confirm the date of dispatch for Council Tax bills.	Systems and Control Team Leader	Agreed		April 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.6	<p>The password for the encrypted files should be changed regularly.</p> <p>For all 'failed' bills, the notes page on the Capita system should clearly record when revised bills have been issued.</p>	<p>Systems and Control Team Leader</p> <p>Systems and Control Team Leader</p>	<p>Agreed</p> <p>Agreed</p>		<p>April 2013</p> <p>April 2013</p>

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 March 2013
BY: Executive Director (Support Services)
SUBJECT: Internal Audit Report – Purchase Cards

4

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Purchase Cards.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Purchase Cards.

3 BACKGROUND

- 3.1 A review of Purchase Cards was undertaken as part of the audit plan for 2012/13.
- 3.2 The main objective of the audit was to ensure that internal controls in place in respect of the use of Purchase Cards were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	8 March 2013

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PURCHASE CARDS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the arrangements in place for the use of Purchase Cards was undertaken as part of the Audit Plan for 2012/13. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate procedures are in place covering the use of purchase cards.

1.3 Areas with Scope for Improvement

- There was a lack of clear audit trail to support purchase card transactions – in a number of cases, cardholders had failed to retain invoices and receipts to support the purchases made. *Risk – expenditure may not relate to legitimate Council business.*
- In a number of cases, purchase cards were being used to procure goods and services, which should have been purchased through the PECOS system. *Risk – inappropriate expenditure may occur.*
- The existing arrangements within departments for the storage of purchase card statements and supporting invoices/receipts require review – difficulties were encountered in obtaining key documentation during the course of our audit. *Risk – loss of key documentation.*
- There was a failure by some Cardplus Supervisors to review purchase card transactions to ensure that all purchases related to genuine Council expenditure. *Risk – inappropriate expenditure may occur.*
- In a few cases, there was a failure to maintain effective purchase card security. *Risk – irregularities and misuse may occur.*
- In a number of cases, VAT had not been properly accounted for by cardholders, including a failure to recover VAT on purchases made. *Risk – loss of income to the Council.*

1.4 Summary

Our review of the internal controls in place in respect of the use of Purchase Cards identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

March 2013

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.1	All new purchase card applications should be approved by an appropriate authorised signatory.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.3.1	Management should ensure that the purchase card administrator is informed when purchase cards have been withdrawn.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.3.2	Management should give consideration to rationalising the use of purchase cards across the Council.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		June 2013
3.3.3	<p>Management should ensure that the existing guidance in place is being complied with and that purchase cards are only being used where alternative procurement routes are not available.</p> <p>Purchase cards should not be used to pay supplier invoices or for large items. These should be purchased via the Council's normal procurement processes.</p> <p>Where an existing contract is in place, the Council's contracted suppliers should be used.</p>	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3 (cont)	Purchase cards should not be used to pay for ongoing or recurring items of expenditure.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.4.1	Cardholders should ensure that purchase card procedures are followed and that effective card security is maintained.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.5.1	Cardplus Supervisors should review all cardholders' transactions on the Cardplus system on a monthly basis to ensure that they are valid.	Cardplus Supervisors (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.6.1	Management should ensure that all purchase card transactions are supported by an appropriate invoice or receipt. Management should ensure that all key documentation relating to purchase card transactions is easily accessible – a consistent approach should be adopted across departments for the storage of purchase card statements and supporting invoices/receipts.	Cardplus Supervisors (Council wide)	Agreed by Executive Director (Support Services)		March 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1 (cont)	All supporting documentation should be held for a period of seven years (six years plus the current year) to ensure compliance with relevant statutory requirements.	Heads of Service (Council wide)	Agreed by Executive Director (Support Services)		March 2013
3.6.2	<p>Management should ensure that cardholders identify all purchase card transactions with VAT and update the Cardplus system to properly reclaim the VAT.</p> <p>Management should ensure that a valid VAT invoice/receipt is retained for all VAT reclaimed on purchases.</p> <p>Management should provide detailed guidance to cardholders on VAT – the guidance should include the proper treatment of VAT on overseas purchases.</p>	Executive Director (Support Services)	Agreed		March 2013

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 March 2013
BY: Executive Director (Support Services)
SUBJECT: Internal Audit Report – Rent Deposit Scheme

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1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Rent Deposit Scheme.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for the Rent Deposit Scheme.

3 BACKGROUND

- 3.1 A review of the Rent Deposit Scheme was undertaken as part of the audit plan for 2012/13.
- 3.2 The main objective of the audit was to ensure that internal controls in place for the Rent Deposit Scheme were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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EAST LoTHIAN COUNCIL – INTERNAL AUDIT RENT DEPOSIT SCHEME

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2012/13, a review was undertaken of the internal controls surrounding the administration of the Rent Deposit Scheme. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Rent deposits paid by the Council are in accordance with the levels of rent set by the Local Housing Allowance.

1.3 Areas with Scope for Improvement

- The existing procedures and guidance in place for administering the Rent Deposit Scheme require review – the procedures and guidance have not been updated to reflect the requirements of the Tenancy Deposit Schemes (Scotland) Regulations 2011. *Risk – the scheme may fail to reflect recent changes in legislation affecting rent deposits.*
- There was a failure to maintain a comprehensive record of all rent deposits paid and rent guarantees held. *Risk – omissions may occur and remain undetected.*
- No reconciliations had been performed between rent deposits recorded in the Homelessness records and the actual payments made through the Council's general ledger. *Risk – errors and anomalies may occur and remain undetected.*
- There was a lack of effective monitoring arrangements in place to ensure that all outstanding deposits are recovered timeously following the end of a tenancy. *Risk – loss of income to the Council.*
- There was a failure to adopt a consistent approach where recovery action was taken. *Risk – all amounts due may not be recovered.*
- For deposits retained by the landlord to cover damages caused by the tenant, there was a lack of clear documentation in place to confirm the Council's agreement to the amounts retained. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of the internal controls surrounding the administration of the Rent Deposit Scheme identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

March 2013

ACTION PLAN

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the existing procedures and guidance on the Council's Rent Deposit Scheme are updated to reflect the requirements of the Tenancy Deposit Schemes (Scotland) Regulations 2011.	Homelessness Manager	Agreed – new procedures to be implemented		May 2013
3.2.1	Management should ensure that a clear audit trail exists for all rent deposits paid – all payments should be supported by an application form, an applicant's declaration and a landlord's agreement.	Homelessness Manager	Agreed – within 3.1.1 above		May 2013
3.2.2	Management should ensure that all key documentation is in place prior to the applicant being accepted on to the scheme and rent deposits being paid.	Homelessness Manager	Agreed – within 3.1.1 above		May 2013
3.3.1	Management should ensure that a complete and comprehensive record is maintained of all rent deposits paid and rent guarantees held.	Homelessness Manager	Agreed		October 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Management should ensure that rent deposits are only paid to registered landlords and to bank accounts held in their name.	Homelessness Manager	Agreed		April 2013
3.6.1	<p>Regular reconciliations should be carried out between the Council's general ledger and the Rent Deposit Register for all payments made and deposits returned.</p> <p>All differences identified should be fully investigated and where necessary, appropriate corrective action taken.</p> <p>A member of staff independent of the preparer should check the reconciliation – the reconciliation should be signed and dated as evidence of checks being carried out.</p> <p>Management should ensure that information is passed to the Council's Finance section to allow appropriate adjustments to be made where a tenancy ends and all or part of the deposit is retained by the landlord.</p>	Homelessness Manager	Agreed		June 2013
3.7.1	Management should clearly establish the total rent deposits currently outstanding.	Homelessness Manager	Agreed		June 2013

PARA REF	RECOMMENDATION	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.7.1 (cont)	<p>Effective monitoring arrangements should be in place to ensure that all outstanding deposits are recovered timeously following the end of a tenancy.</p> <p>For deposits retained by landlords to cover damages caused by the tenant, formal documentation should be held to confirm the Council's agreement to the amounts retained – consideration should be given to recovering the deposit from the tenant.</p>	Homelessness Manager	Agreed		June 2013
3.7.2	<p>Management should ensure that a consistent approach is adopted for the recovery of outstanding deposits from landlords.</p>	Homelessness Manager	Agreed		June 2013
3.8.1	<p>Consideration should be given to replacing the existing Rent Deposit Scheme with a Rent Guarantee Scheme.</p> <p>Management should ensure that the Rent Guarantee Scheme is properly set up and that clear procedures are in place outlining how the scheme will operate.</p> <p>A clear audit trail should be in place for all rent deposits which have been returned and rent guarantees issued in their place.</p>	Homelessness Manager	Agreed		April 2013

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 March 2013
BY: Executive Director (Support Services)
SUBJECT: Annual Work Programme

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1 PURPOSE

- 1.1 This report provides the Committee with the updated annual work programme.

2 RECOMMENDATIONS

- 2.1 Committee is requested to note the annual work programme (Appendix 1) and provide guidance on additional reports the Committee would like to be included in the work programme.

3 BACKGROUND

- 3.1 The Audit and Governance Committee, 18th September 2012 agreed an annual work programme.

- 3.2 The annual work programme (see Appendix 1) includes five categories/columns reflecting the main areas of the Committee's remit:

- Internal Audit Reports
- External Audit Reports
- Audit Scotland reports
- Governance
- Risk.

- 3.3 The work programme will be updated for each meeting of the Committee to take account of notification of forthcoming reports from Internal Audit, External Auditors and Audit Scotland and reports called for by the Committee.

4 POLICY IMPLICATIONS

- 4.1 The identification of items of business for the Committee's Work programme will assist in developing a programme of work that will meet the Committee's remit.

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – none
6.2 Personnel – none
6.3 Other – none

7 BACKGROUND PAPERS

- 7.1 Review of the Use of the Guide to Scrutiny and Review by the Audit and Governance Committee: Audit and Governance Committee, 19th June 2012
7.2 Annual Work Programme: Audit and Governance Committee, 18th September 2012.

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Appendix 1: Audit and Governance Committee Annual Work Plan

Date	Internal Audit Reports	External Audit Reports	Accounts Commission/ Audit Scotland reports	Governance	Risk
19/3/13	Council Tax Purchase Cards Rent Deposit Scheme			Council Improvement Plan 2012/13 monitoring report Valuation Policies and Procedures	
30/4/13	Electronic Document and Records Management System Housing Allocations Income Collection Payroll & Leavers' Access Controls Follow up Report on Audits from 2011/12 Annual Controls Assurance Audit Plan for 2013/14		Accounts Commission: Health Inequalities Accounts Commission: Approaches to Reduce Reoffending Accounts Commission: Major Investments in Councils	Annual Governance Statement Council Improvement Plan 2013/14	Service Risk Registers
11/6/13	To be confirmed on adoption of 2013/14 Audit Plan		Assurance and Improvement Plan Update		Risk Strategy Update

Updated 07/03/2013