



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

**TUESDAY 19 MARCH 2013  
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 K McLeod

**Council Officials Present:**

Mrs A Leitch, Chief Executive  
Mr A McCrorie, Executive Director (Support Services)  
Mr J Lamond, Head of Council Resources  
Mr R Montgomery, Head of Infrastructure  
Mr A Gillespie, Finance Manager (Business Advice)  
Ms M Garden, Internal Audit Manager  
Mr S Allan, Senior Auditor  
Mr I Patterson, Homelessness Manager  
Ms J Mackay, Media Manager

**Clerk:**

Miss F Currie, Committees Assistant

**Apologies:**

Councillor J Williamson  
Councillor P McLennan

**Declarations of Interest:**

None

## **1. 2012/13 COUNCIL IMPROVEMENT PLAN MONITORING REPORT**

A report was submitted by the Executive Director (Support Services) presenting the Committee with the 2012/13 Council Improvement Plan monitoring report.

Mrs Angela Leitch, the Chief Executive, presented this report. The latest 2012/13 Council Improvement Plan was approved by Council on 26 June 2012. A six-month monitoring report was considered by the Audit & Governance Committee on 13 November 2012. Mrs Leitch summarised some of the key points in the report including best value reviews, making savings through more efficient use of staff and moving ahead with Health & Care Partnerships.

In response to a question from Councillor McLeod, Mrs Leitch indicated that East Lothian Council's results placed it in the middle of the table of local authorities and that it continued to make steady progress.

Councillor Caldwell asked for an example of proposals for internal shared services and Mrs Leitch explained that plans were underway to bring together services such as HR, Research and IT to avoid duplication throughout departments and provide a more efficient and co-ordinated service.

Councillor McLeod requested clarification of what constituted an "arm's length organisation" and how such organisations, out with Council control, could be included in Performance Indicators. Mr Alex McCrorie, Executive Director (Support Services), explained that arm's length organisations could be used to deliver Council services such as leisure services where the Council has determined there is an advantage in doing so. Mrs Leitch confirmed that the only arm's length organisations in use by East Lothian Council were Enjoy Leisure and the Brunton Theatre Trust. Musselburgh Race Course is not an arm's length organisation.

The Convenor raised the point of further reports, referring to an Audit Scotland report on Councils' spending and debt which had been published earlier in the month. Mr Jim Lamond, Head of Council Resources, confirmed that this report could be included in the Committee's future work programme.

### **Decision**

The Committee noted the report.

## **2. VALUATION POLICIES AND PROCEDURES**

A report was submitted by the Executive Director (Support Services) providing the Committee with the results of a review of valuation policies and procedures carried out over the past few months.

Mr Anthony Gillespie, Finance Manager (Business Advice), presented the report, explaining that the review of policy and procedures followed a report by the Council's external auditors in September 2012. All of the land and building assets owned by the Council are valued every 5 years and it is proposed that, in future, these valuations should be split into two tranches each over two years. There are also plans to put the process out to tender and appoint just one valuer to carry out the work. Mr Gillespie also commented that the review had identified one or two assets which had been wrongly recorded or omitted on previous valuations.

In response to questions from Members, Mr Gillespie explained that the Council owned 8200 houses/flats which made up approximately 85% of the Council's total asset value. However, the valuations on these properties were not comparable with "open market" valuations and they considered six specific criteria including the land, roof, heating and the bathroom and kitchen. When the Council builds new properties they will initially be valued at the "cost" price but will be subject to depreciation thereafter.

In relation to other properties such as school buildings, Mr Gillespie explained that depreciation related solely to the buildings although the valuation also took account of maintenance carried out. In the case of PFI projects, this investment in maintaining the fabric of the building should mean that the overall valuation will be the same at the end of the contract as it was at the beginning. The database of properties built up through this review process allows for more efficient asset management, for example, spend on maintenance can be compared quite easily.

Councillor McLeod asked whether a breakdown of figures for the type, size and valuation of Council house/flats could be provided to Members. Mr Gillespie indicated that the valuer provides benchmark values by property size and location which could be shared with Members.

#### **Decision**

The Committee noted the contents of the report and the implications for future financial statements.

### **3. INTERNAL AUDIT REPORT – COUNCIL TAX**

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

The Internal Audit Manager, Mala Garden, presented the report, advising that the objective of the audit was to ensure that the arrangements in place for undertaking Council Tax reconciliations were operating effectively. Ms Garden summarised the main findings and recommendations for action.

In response to a question from Councillor Goodfellow, Ms Garden indicated that the audit had not dealt with the issue of water charges. However, Mr Lamond was able to confirm that the only monies paid to Scottish Water by the Council were those recovered along with Council Tax payments.

The Convenor was pleased to note that the completion date for the recommendation contained in the Action Plan was April 2013.

#### **Decision**

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

### **4. INTERNAL AUDIT REPORT – PURCHASE CARDS**

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

Ms Garden presented the report, advising that the main objective of the audit was to ensure that internal controls in place in respect of the use of Purchase Cards were working effectively. Ms Garden summarised the main findings and recommendations for action.

Councillor Goodfellow asked what percentage of cases had failed to retain invoices and receipts to support purchases made. Ms Garden explained that the sample size was 25 statements and, in 3 or 4 of those, officers had failed to retain the relevant paperwork.

In response to questions from Councillor McLeod, Ms Garden explained that the purchase card system allowed staff to make one-off or emergency purchases which could not be ordered from the Council's registered suppliers. A supervisor would check their staff's purchases after the fact. Since the audit, however, controls had been tightened and the number of cards issued and the purchases made were more closely monitored.

The Convenor expressed his thanks for this useful report and was pleased to see that the deadlines for recommendations in the Action Plan were March and June 2013.

#### **Decision**

The Committee noted the contents of the Executive Summary and Action Plan for Purchase Cards.

### **5. INTERNAL AUDIT REPORT – RENT DEPOSIT SCHEME**

A report was submitted by the Executive Director (Support Services) informing the Committee of the recently issued audit report on the Rent Deposit Scheme.

Ms Garden presented the report, advising that the main objective of the audit was to ensure that internal controls in place for the Rent Deposit Scheme were working effectively. Ms Garden summarised the main findings and recommendations for action.

In response to a question from Councillor Forrest, Ms Garden explained that the Rent Team run two different systems for logging payments which can sometimes lead to problems in maintaining accurate records. Mr Patterson, Homelessness Manager, acknowledged that there had been a few issues with the rent deposit scheme so the Internal Audit had come at the right time. However, he was not unduly concerned about the issues raised by the report as, overall, the system was running well.

Councillor Goodfellow asked whether the new Rent Deposit Scheme had made a difference to the number of people securing tenancies. Mr Patterson commented that, while historically landlords had been unwilling to accept a guarantee, the introduction of the new scheme meant that now up to 90% of landlords were accepting deposit guarantees.

#### **Decision**

The Committee noted the contents of the Executive Summary and Action Plan for the Rent Deposit Scheme.

**6. ANNUAL WORK PROGRAMME**

A report was submitted by the Executive Director (Support Services) providing the Committee with the updated annual work programme.

The Convenor spoke to this report, reminding Members that, in addition to the planned meetings in April and June, there would be need to fix a date for a further meeting of the Committee in July.

Mr Lamond indicated that further agenda-planning would also be required as there were a large number of reports scheduled for the next two meetings.

The Convenor also advised Members that he would be standing down as Convenor of the Committee and that it was his intention to nominate Councillor McLeod as the next Convenor and Councillor Williamson as the Depute Convenor. These nominations would be considered by Council in April but in the meantime; Councillor McLeod would be involved in the agenda-planning for the Committee's next meeting.

**Decision**

The Committee noted the annual work programme and provided guidance on additional reports that Members would like to be included in the work programme.

Signed .....

Councillor Stuart Currie  
Convener of the Audit and Governance Committee