



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

**TUESDAY 22 JANUARY 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 K McLeod  
Councillor J Williamson

**Other Councillors Present:**

Councillor J Gillies

**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  
Ms M Garden, Internal Audit Manager  
Mr S Allan, Senior Auditor  
Mr R Sinclair, Communications Officer  
Mr S Kennedy, Risk Officer  
Mr A Strickland, Corporate Policy Officer

**Clerk:**

Miss F Currie, Committees Assistant

**Visitors Present:**

Mr A Shaw, KPMG

**Apologies:**

Councillor J Goodfellow  
Councillor P McLennan

**Declarations of Interest:**

None

## **1. KPMG – ELC AUDIT STRATEGY AND PLAN**

KPMG submitted a report to Members outlining its audit strategy and planning for East Lothian Council.

Mr Andrew Shaw, KPMG Audit Senior Manager, summarised the main points of the report; drawing Members' attention to key issues such as Audit Focus Areas, Financial Statements and Materiality. The Convenor thanked Mr Shaw for his presentation and invited questions from Members.

In response to a question from Councillor McLeod, Mr Shaw confirmed that the first half of the financial year had produced an under-spend but that the Council was forecasting an over-spend for the second half of the year, which should result in an overall breakeven position for 2012-13.

The Convenor asked if there could be further clarity when reporting in future on the Capital Programme by showing both gross and net figures. He also suggested that it should be made clear how the different areas of the Capital Spend are funded, e.g. housing and general services are funded from separate sources. Mr Shaw pointed out that KPMG's reports reflect the financial statements provided by the Council, however he acknowledged that reporting needed to be transparent and understandable. He agreed to discuss with Officials how these matters could be made clearer in future reports.

The Convenor also sought clarification of the status of Musselburgh Joint Racing Committee: he noted that the Committee was included in the Council's group financial statement but all Freedom of Information (FOI) requests received by the Council were refused on the grounds that the Committee was a separate body. Mr Jim Lamond, Head of Council Resources, explained that in IFRS accounting terms Musselburgh Joint Racing Committee was seen as a subsidiary and therefore included in the Council's group financial statements, however FOI legislation had a different definition of what public bodies came within the scope of that legislation.

Councillor McLeod noted that, in relation to materiality, KPMG had procedures in place to detect individual errors of £4.6m and above. However, he suggested that this figure was rather high and asked what was done to identify errors below this amount. Mr Shaw explained that the figure of £4.6m was calculated on the basis of total income of £307m but that this did not mean that they ignored errors under this amount. Indeed, KPMG were required to report individual errors of £0.3m or more to the Audit & Governance Committee. Mr Shaw also pointed out that the Council had its own procedures for identifying accounting errors and part of KPMG's role was to ensure these controls were in place.

### **Decision**

The Committee noted the report.

## **2. CORPORATE RISK REGISTER**

A report was submitted by the Executive Director (Support Services) providing the Committee with the Corporate Risk Register 2013 for discussion, comment and approval.

The Council's Risk Officer, Scott Kennedy, presented the report and advised Members that the Corporate Risk Register had been approved by Cabinet at its meeting on 15 January 2013.

Mr Kennedy explained that all risks were analysed in terms of impact on the Council and the likelihood of occurrence. The analysis, using the recommended tool of a 5 by 5 matrix, provides an evaluation of risk as being Low (1-4), Medium (5-9), High (10-19) and Very High (20-25). High or Very High risks would be subject to closer scrutiny by the Council Management Team, the Cabinet and the Audit & Governance Committee. The 2013 Risk Register identified no Very High risks, 10 High and 8 Medium risks.

The Convenor thanked Mr Kennedy for his presentation. There were no questions from Members; however the Convenor raised a couple of points. He noted that recent discussions at Cabinet had flagged up Welfare Reform and financial pressures as potentially high risk issues for the Council but that this did not seem to be reflected in the scoring of the Risk Register. He also asked whether the Council was getting better at identifying and addressing potential risks in meeting its budget targets.

Mr Lamond acknowledged that any scoring system involved some subjectivity; however the Council had given serious consideration to potential risks and to the control measures in place to deal with these. He indicated that the process involved in evaluating risk and reviewing controls was as important as the scoring of risk and that this process had shown that appropriate procedures were in place to monitor, manage and minimise the impact of potential risks.

In relation to identifying financial risks, Mr Lamond advised that the budget development process and the Mid Year Review had allowed the Council to identify where budget targets and efficiency savings were being delivered and where there was still work to be done. Although some additional control measures had been applied, this process was ongoing and Officials would continue to monitor this closely.

Councillor Williamson noted that the River Esk Flood Risk Management Survey had been completed and asked whether it would be made available. Ms Monica Patterson, Executive Director (Services for Communities), confirmed that consultants had been appointed to prepare flood plans over the next 6-8 months but she would check whether the River Esk Survey could be made available meantime.

The Convenor noted that two flood studies had been requested by the Committee – for Musselburgh and Haddington - and asked that these reports be put before Members.

### **Decision**

The Committee noted that the 2013 Corporate Risk Register had been approved by Cabinet.

In doing so, the Committee:

- considered the corporate risks that had been identified and assessed in the Corporate Risk Register;

- noted the total profile of corporate risk that is established by the Corporate Risk Register and that these can be borne by the Council at this time in relation to the Council's appetite for risk; and,
- recognised that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013, many are in fact longer term corporate risks for the Council that are likely to be a feature of the risk register over a number of years.

### **3. INTERNAL AUDIT REPORT: ADULT SOCIAL CARE – FRAMEWORKI**

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

The Internal Audit Manager, Mala Garden, presented the report, advising that the objective of the audit was to ensure that the internal controls in place in respect of Frameworki were operating effectively. Ms Garden summarised the main findings and recommendations for action.

In response to a question from Councillor Forrest, Ms Garden explained that requests for adaptations were put on the Frameworki system and then passed to the Council's Property Maintenance Section for action. However, the system recorded these requests as complete at the stage of transfer rather than when the adaptation itself had been completed. This discrepancy was being addressed.

Councillor Caldwell wanted to know why current procedures to deal with updating records following the death of a service user were not being followed and why the deadline for action on this matter was February 2013. Ms Garden indicated that procedures were being followed but there had been some delays in updating records. Mrs Angela Leitch, Chief Executive, agreed that this recommendation for action should be taken forward immediately and undertook to discuss this with Mr Murray Leys, Head of Adult Wellbeing.

The Convenor asked whether action regarding updating of staff IT access could also be addressed as a matter of urgency. This matter would also be referred to Mr Leys.

#### **Decision**

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

### **4. INTERNAL AUDIT REPORT: ADULT SOCIAL CARE – CARE AT HOME**

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

Ms Garden presented the report, advising that a review of payments made to Care at Home providers was undertaken as part of the audit plan for 2012/13. The objective of the audit was to ensure that the internal controls in place were working effectively. Ms Garden summarised the main findings and recommendations for action.

In response to a question from the Convenor, Ms Garden indicated that a more robust monitoring process was required to ensure that payments are made only for

actual hours worked by care staff. She advised that an electronic monitoring system, which logs time of arrival/departure, was being considered.

The Convenor also asked why some non-framework providers had been used to provide care services. Ms Garden explained that this related to two instances where the approved care provider had been unable to deliver the service and that she had been advised by Management that non-framework providers are only used in emergency situations. She indicated that procedures for dealing with such gaps in services were being reviewed.

Councillor Steven Brown queried invoices being submitted which did not provide a detailed breakdown of charges. Ms Garden explained that some invoices received did not record the number of hours worked and the rate per hour which made matching up with Frameworki difficult. However in the cases identified the weekly charge did match up to the detailed service provision recorded on Frameworki.

The Convenor requested that an update on progress with the Action Plan be provided to the Committee at a later date. Ms Garden confirmed that a follow-up report on Frameworki would be provided within the next four months.

**Decision**

The Committee noted the contents of the Executive Summary and Action Plan for Care at Home.

**5. ANNUAL WORK PROGRAMME**

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

Corporate Policy Officer, Andrew Strickland, presented the report reminding Members that the work programme had been agreed by the Committee in September 2012 and reviewed and updated following subsequent meetings. Mr Strickland invited Members to consider the current version and propose any changes they considered appropriate.

Councillor Caldwell suggested that, as the March meeting had quite a lot of items, some of these might be moved to the April meeting. The Convenor agreed that this might be possible and undertook to review the agenda for the March meeting with Officials.

**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