



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

**TUESDAY 30 APRIL 2013, 10am
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

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

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Executive Director (Support Services)
Mr D Ledingham, Executive Director (Services for People)
Ms M Patterson, Executive Director (Services for Communities)
Mr M Leys, Head of Adult Wellbeing
Mr J Lamond, Head of Council Resources
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr S Kennedy, Risk Officer
Mr A Shaw, KPMG

Clerk:

Miss F Currie, Committees Assistant

Apologies:

Councillor J Caldwell

Declarations of Interest:

None

1. KPMG – ELC INTERIM MANAGEMENT REPORT

An Interim Management Report was submitted by KPMG to the Committee providing an overview of the Council's mid-year financial position and governance framework.

Mr Andy Shaw, Senior Manager KPMG LLP, spoke to the report, summarising the contents and highlighting the key areas reviewed as part of the interim audit. Mr Shaw also took Members through the specific recommendations contained in the report's action plan, together with related risks and management's responses.

In response to questions from Councillor Currie, Mr Shaw explained that KPMG are required to look at how the Council has performed both in relation to its budget for 2012/13 and its utilisation of reserves over the 3 year budget plan. The terms of the audit are set down by Audit Scotland and focus on the overall budget agreed by Council rather than individual party manifesto proposals.

In terms of operational reporting of financial management, Mr Shaw acknowledged the importance of regular, detailed reporting but pointed out that the level and frequency of the scrutiny involved was for management to decide. Mr Jim Lamond, Head of Council Resources, confirmed that the current system of quarterly reports to Cabinet was in line with delegated powers.

The Convenor thanked KPMG for their very detailed report.

Decision

The Committee noted the report.

2. ADULT WELLBEING RISK REGISTER

A report was submitted by the Chief Executive providing the Committee with the Adult Wellbeing Risk Register for discussion and comment.

Mr Scott Kennedy, Risk Officer, presented the report, explaining that the Adult Wellbeing Risk Register had been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Adult Wellbeing Local Risk Working Group (LRWG) meeting on a quarterly basis. The purpose of the risk register is to ensure that key risks are identified and that any that rate high or very high have risk control measures in place.

Councillor Goodfellow welcomed the report and noted that even those risks rated low had risk control measures in place.

Decision

The Committee noted the contents of the report, in particular:

- that the relevant risks have been identified following appropriate consultation with all risk contacts;
- that while the report had been compiled by the Risk Officer, the Risk Register had been compiled by the Adult Wellbeing LRWG and the Head of Adult Wellbeing has lead responsibility;

- that the significance of each risk is appropriate to the current nature of the risk;
- that the total profile of the Adult Wellbeing risk can be borne by the Council at this time in relation to the Council's appetite for risk; and
- that although the risks presented are those requiring close monitoring and scrutiny throughout 2013, many are in fact longer term risks for Adult Wellbeing and are likely to be a feature of the risk register over a number of years.

3. CHILDREN'S WELLBEING RISK REGISTER

A report was submitted by the Chief Executive providing the Committee with the Children's Wellbeing Risk Register for discussion and comment.

Mr Scott Kennedy presented the report, explaining that the Children's Wellbeing Risk Register had been developed in keeping with the Council's Risk Management Strategy and is a live document which is reviewed and refreshed on a regular basis, led by the Children's Wellbeing Local Risk Working Group (LRWG), comprising all senior managers within the service.

Mr Don Ledingham, Executive Director (Services for People), advised Members that the absence of any low risk items reflected the level of risk associated with children's wellbeing and the potential impact of any failures. Councillor Currie acknowledged the crucial role that staff plays in mitigating such risks and commended the skills of the professionals in this field.

Decision

The Committee noted the contents of the report, in particular:

- that the relevant risks have been identified following appropriate consultation with all risk contacts;
- that while the report had been compiled by the Risk Officer, the Risk Register had been compiled by the Children's Wellbeing LRWG and the Head of Children's Wellbeing has lead responsibility;
- that the significance of each risk is appropriate to the current nature of the risk;
- that the total profile of the Children's Wellbeing risk can be borne by the Council at this time in relation to the Council's appetite for risk; and
- that although the risks presented are those requiring close monitoring and scrutiny throughout 2013, many are in fact longer term risks for Children's Wellbeing and are likely to be a feature of the risk register over a number of years.

4. EDUCATION RISK REGISTER

A report was submitted by the Chief Executive providing the Committee with the Education Risk Register for discussion and comment.

Mr Scott Kennedy presented the report, explaining that the Education Risk Register had been developed in keeping with the Council's Risk Management Strategy and is

a live document which is reviewed and refreshed on a regular basis, led by the Education Local Risk Working Group (LRWG).

Councillor Currie asked whether issues such as capacity at Musselburgh Grammar School and Wallyford Primary School should be included as potential risk factors. Mr Ledingham agreed that these issues were challenging but indicated that a strategic overview of catchment areas was underway and, at present, he did not consider it appropriate to include them in the risk register.

In response to questions from Councillor Goodfellow, Mr Ledingham explained that as well as supporting teaching staff to reach the required standards and further develop their skills, the use of IT in the classroom was seen as a key factor in improving education standards.

Decision

The Committee noted the contents of the report, in particular:

- that the relevant risks have been identified following appropriate consultation with all risk contacts;
- that while the report had been compiled by the Risk Officer, the Risk Register had been compiled by the Education LRWG and the Head of Education has lead responsibility;
- that the significance of each risk is appropriate to the current nature of the risk;
- that the total profile of the Education risk can be borne by the Council at this time in relation to the Council's appetite for risk; and
- that although the risks presented are those requiring close monitoring and scrutiny throughout 2013, many are in fact longer term risks for Education and are likely to be a feature of the risk register over a number of years.

5. INTERNAL AUDIT REPORT – INCOME COLLECTION

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

Ms Garden presented the report, advising that the main objective of the audit was to ensure that the internal controls in place for Income Collection were working effectively. Ms Garden summarised the main findings of the audit and concluded that, with only one recommendation for action, Members could have reasonable assurance that the controls were working effectively.

Councillor Goodfellow asked if a glossary of terms could be included in the report. The Convenor asked whether there were back-up systems in place in the event of an IT failure such as those experienced recently by some banks. Ms Garden confirmed that the IT department did perform regular back-ups to ensure that no information would be lost.

Decision

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

6. INTERNAL AUDIT REPORT – PAYROLL

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

Ms Garden presented the report, advising that the main objective of the audit was to ensure that the internal controls in place for payroll were working effectively. Ms Garden summarised the main findings and recommendations for action, drawing attention to two instances where a member of cleaning staff commenced employment without the necessary pre-employment checks being done.

Ms Monica Patterson, Executive Director (Services for Communities), confirmed that the Council does take such lapses of procedure very seriously and agreed to speak to the line manager concerned.

Decision

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

7. INTERNAL AUDIT REPORT – FOLLOW-UP REPORTS

A report was submitted by the Executive Director (Support Services) informing the Committee of the recent follow-up work undertaken by Internal Audit.

Ms Garden presented the report advising that, as part of the audit plan for 2012/13, Internal Audit had followed up the recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. This particular follow-up report related to audits completed on Non-Domestic Rates – Valuation and Billing, Procurement, Free School Meals and Clothing Grants, Bank Reconciliations and Frameworki. Ms Garden summarised the main findings of the report.

Councillor Currie welcomed the report and was pleased to note that the recommendations in relation to Frameworki had been implemented within the agreed timescales.

Decision

The Committee noted the findings of Internal Audit's follow-up work on Non-Domestic Rates – Valuation and Billing, Procurement, Free School Meals and Clothing Grants, Bank Reconciliations and Frameworki.

8. INTERNAL AUDIT REPORT – AUDIT PLAN 2013/14

A report was submitted by the Executive Director (Support Services) informing the Committee of Internal Audit's operational plan for 2013/14.

Ms Garden presented the report, advising that the annual audit plan had been prepared in accordance with Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013, and taking into account a range of factors including the Council Plan 2012-17, areas highlighted by the Council's External Auditors and Senior Officers and corporate and departmental risk registers.

Councillor McLennan asked whether issues around the recent welfare reforms would be covered by the audit plan. Ms Garden explained that Internal Audit would be looking at Crisis and Community Care Grants. Councillor Currie asked about Housing Allocations and whether it would be worthwhile waiting until the policy had been in place for a few months before undertaking this work. Ms Garden confirmed that his audit had been brought forward from last year's plan, due to the changes in policy, and Ms Garden agreed to liaise with officials as to the best time to conduct this audit during 2013/14.

The Convenor asked about the special projects mentioned in the plan and Ms Garden advised him that time had been built in to cover work on issues which may cause management significant concerns during the coming year. In addition, a significant portion of staff time had been set aside to deal with any fraud investigations which might arise during this time, although the actual number and length of these investigations was impossible to predict.

Decision

The Committee approved the Audit Plan for 2013/14.

9. CONTROLS ASSURANCE STATEMENT – 2012/13

A report was submitted by the Internal Audit Manager informing the Committee of her independent review of the internal control systems within East Lothian Council, her assessment of the control environment and her annual report on the adequacy and effectiveness of internal controls.

Ms Garden presented the report, advising that this was the most important report to be submitted to the Committee by Internal Audit during the year. She summarised the main findings of the report and the areas with scope for improvement, concluding that, subject to the weaknesses outlined, reasonable assurance could be placed on the adequacy and effectiveness of the Council's internal control systems for the year to 31 March 2013.

Decision

The Committee noted that the Controls Assurance Statement is a formal confirmation of Internal Audit's opinion on the Council's control environment for the year ended 31 March 2013.

10. ANNUAL WORK PROGRAMME

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

Mr Paolo Vestri, Corporate Policy Manager, presented the report with one amendment – the Assurance and Improvement Plan Update would now be presented to the September 2013 meeting. Mr Vestri indicated that he would liaise with Ms Garden over the audit plan for 2013/14 and update the work programme in time for the next meeting of the Committee.

In response to a question from Councillor Currie, Angela Leitch, Chief Executive, confirmed that a number of issues contained within the Assurance and Improvement Plan would be subject to the proposed review of children’s services in the autumn but that this would not affect discussion at the Committee’s September 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 Kenny McLeod
Convener of the Audit and Governance Committee