



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

**TUESDAY 19 NOVEMBER 2013
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

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

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Ms M Patterson Depute Chief Executive (Partnerships and Community Services)
Mr J Lamond, Head of Council Resources
Mr T Shearer, Head of Communities and Partnerships
Mr R Montgomery, Head of Infrastructure
Ms K Maguire, Corporate Finance Manager
Mr D Proudfoot, Property Maintenance & Services Manager
Ms K MacNeill, Service Manager – Licensing, Administration & Democratic Services
Mr P Vestri, Corporate Policy & Improvement Manager
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr S Kennedy, Risk Officer

Clerk:

Miss F Currie, Committees Assistant

Apologies:

Councillor J Goodfellow
Councillor P McLennan

Declarations of Interest:

None

1. MINUTE OF THE MEETING OF THE AUDIT & GOVERNANCE COMMITTEE ON 17 SEPTEMBER 2013

The minute of the meeting of the Audit & Governance Committee on 17 September 2013 was presented for approval.

The Convenor drew Members' attention to an error in the second last paragraph on Page 3 and proposed the following amendment: deletion of "At the request of Councillor Caldwell..." There were no other amendments proposed.

Decision

The Committee approved the minute subject to one agreed amendment.

2. COUNCIL RESOURCES SERVICE RISK REGISTER

A report was submitted by the Depute Chief Executive (Resources and People Services) to the Committee for discussion, comment and noting of the Council Resources Risk Register.

The Risk Officer, Scott Kennedy, presented the report drawing Members attention to the appendices which contained details of the risks identified in the Register. He indicated that the key contacts were either Service Managers or officers and that the Register focussed on high or very high risks.

In response to questions from Members, the Head of Council Resources, Jim Lamond, explained that the risk of rent arrears had been increased by the recent welfare reforms. For those in receipt of benefits, arrears were calculated on the amount of rent due after the deduction of any housing benefit. However, the assessment of risk and the mitigating action taken to manage the risk had not been updated to reflect the recent monies made available by the Scottish Government for those affected by the welfare changes. Related to this funding, Mr Lamond indicated that plans were underway for a publicity/take-up campaign to encourage tenants to apply for the financial assistance available to them under the Council's Discretionary Housing Policy.

The Convenor thanked officers for their work on the Risk Register.

Decision

The Committee noted the content of the Council Resources Risk Register and agreed to:

- note that the relevant risks have been identified following appropriate consultation with all risk contacts;
- recognise that while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Council Resources LRWG and the Head of Council Resources has lead responsibility;
- note that the significance of each risk is appropriate to the current nature of the risk;
- note that the total profile of the Council Resources risk can be borne by the Council at this time in relation to the Council's appetite for risk; and
- recognise that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013/14, many are in fact longer term

risks for Council Resources and are likely to be a feature of the risk register over a number of years.

3. POLICY AND PARTNERSHIPS SERVICE RISK REGISTER

A report was submitted by the Depute Chief Executive (Resources and People Services) to the Committee for discussion, comment and noting of the Policy and Partnerships Risk Register.

The Risk Officer, Scott Kennedy, presented the report summarising the makeup of the Risk Register and the recommendations for action. The Head of Community and Partnerships, Tom Shearer, indicated that although the report had been prepared for the September meeting of the Committee the assessment of risks was unchanged and progress was being made on the action plan. There were no comments from Members.

Decision

The Committee noted the content of the Policy and Partnerships Risk Register and agreed to:

- note that the relevant risks have been identified following appropriate consultation with all risk contacts;
- recognise that while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Policy and Partnerships LRWG and the Head of Policy and Partnerships has lead responsibility;
- note that the significance of each risk is appropriate to the current nature of the risk;
- note that the total profile of the Policy and Partnerships risk can be borne by the Council at this time in relation to the Council's appetite for risk; and
- recognise that, although the risks presented are those requiring close monitoring and scrutiny throughout 2013/14, many are in fact longer term risks for Policy and Partnerships and are likely to be a feature of the risk register over a number of years.

4. 2013/14 COUNCIL IMPROVEMENT PLAN MONITORING REPORT

A report was submitted by the Depute Chief Executive (Resources and People Services) to the Committee presenting the 2013/14 Council Improvement Plan six-month monitoring report.

The Corporate Policy Manager, Paolo Vestri, presented the report summarising the main findings. He drew Members' attention to the update on progress indicating that the Council was on target to meet all of the improvement points highlighted in the plan.

Councillor Williamson commented that it was disappointing that only 5 of the 23 Elected Members had signed up to undertake Continuing Professional Development (CPD). He encouraged his colleagues to engage with the programme.

In response to questions from the Convenor, Mr Vestri confirmed that the new Consultation Hub had been introduced and work was underway to develop good practice and improve the way the Council consults with service users and the wider public.

Decision

The Committee noted the progress in achieving the Council Improvement Plan as detailed in the monitoring report.

5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW 2013/14

A report was submitted by the Depute Chief Executive (Resources and People Services) to update the Committee on Treasury Management activity during the first half of 2013/14.

The Corporate Finance Manager, Kirsten Maguire, presented the report summarising the main points of the treasury management strategy. She outlined the short and long term borrowing undertaken during the current financial year and made reference to the advice provided by Sector on economic growth and its potential impact on the Council's borrowing costs. She concluded by referring Members to the separate Annual Treasury Management review on 2012/13, available in Members' Library.

Councillor Currie raised the question of longer term capital investment planning and the possibility of publishing a 5 year plan rather than the current 3 year forecast. Councillor Currie also queried the commitment to balancing the budget without the use of reserves by 2015/16. Mr Lamond sought to reassure Members that officers did plan over a longer term financial horizon for capital investments and projects. However, a number of factors could restrict the certainty of many of these forecasts and the Council's decision to publish only a 3 year plan reflected these restraints. The Depute Chief Executive (Resources and People Services), Alex McCrorie, indicated that the Council's wider budget plans were dynamic and the current intention to achieve zero use of reserves by 2015/16 could be adapted to meet changed circumstances should these arise.

Councillor Currie thanked Mr McCrorie for his response but commented that the budget agreed in February 2013 was a 3 year plan and by year 3 there was to be no use of reserves. The argument as to whether or not to use reserves, if they are available, was a different matter altogether. However, if a possible change of the use of reserves in year 3 was likely then that would signal a change to the previously agreed policy. Mr Lamond pointed out that the Council's 3 year financial strategy was always subject to annual review and refresh in February and Members would be consulted on any proposed change to the strategy as part of forthcoming budget development work.

Decision

The Committee noted the content of the report and that a separate report on 2012/13 Treasury Management activity had been lodged in the Members' Library.

6. INTERNAL AUDIT REPORT – ELECTRONIC DOCUMENT AND RECORDS MANAGEMENT SYSTEM (EDRMS)

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on the Electronic Document and Records Management System (EDRMS).

The Internal Audit Manager, Mala Garden, presented the report indicating that the review had been carried out as part of the audit plan for 2012/13. EDRMS had been

rolled out to Human Resources, Payroll, Revenues and Benefits and, most recently, Housing and it was hoped that other areas would follow. Ms Garden outlined the main findings of the audit (that focused on HR) including the areas where expected controls were met, those with scope for improvement and the action plan agreed by management.

Councillor Williamson welcomed the introduction of EDRMS and asked about the timescale for completion of the implementation process. Mr Lamond indicated that while he was pleased with the progress so far, there was no definitive timescale for full implementation. The introduction of the system within Housing teams had been a significant step forward and this staged approach to implementation would continue into the Council's other business areas where appropriate.

Decision

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

7. INTERNAL AUDIT REPORT – GIFTS AND HOSPITALITY POLICY

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Gifts and Hospitality.

Ms Garden presented the main findings of the review of the arrangements for dealing with offers of gifts and hospitality. The audit focused specifically on the policy relating to Council employees. She outlined the areas with scope for improvement and the recommendation that Management should review the adequacy and effectiveness of the policy, with particular attention on the recording of offers of gifts and hospitality.

In response to questions from Councillor Currie on declaration forms, Ms Garden indicated that the number of forms received was disproportionate to the number of employees - only 5 declaration forms had been received in the last financial year, although the Council had approximately 5000 employees. This may be a result of a lack of staff awareness of the policy.

Councillor Currie expressed his disappointment at the results of the audit. He commented that the purpose of a Gifts and Hospitality policy and register of offers was so there could be no doubt or dubiety over what offers were made to Council staff and the reasons for their acceptance or refusal. While welcoming the recommendation for action, he sought assurances from Council officers that immediate steps would be taken to remind employees of the policy and the need to declare all offers of gifts and hospitality as soon as possible.

Depute Chief Executive (Partnerships and Community Services), Monica Patterson, assured Members that work was underway on revising the policy and tightening up the procedures for declaring offers, including proposals for one central Council register. Mr Lamond indicated that consultation on the new draft policy would conclude by March 2014 and a report would go to Cabinet shortly thereafter. Management would also consider interim arrangements to reassure Members, including reminding staff of the need to comply with the current policy.

Chief Executive, Angela Leitch, told Members that there was no evidence that the policy was not being complied with. However, the purpose of the audit was to identify areas for improvement.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Gifts and Hospitality, subject to the additional assurances provided by Council officers.

8. INTERNAL AUDIT REPORT – PAYMENTS TO SCOTTISH WATER

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Payments to Scottish Water.

Ms Garden indicated that this review of the internal controls surrounding the administration of payments to Scottish Water was carried out as part of the Audit Plan for 2013/14. She presented the main findings of the report outlining the areas where expected controls were met and the areas with scope for improvement.

In response to a question from the Convenor, Senior Auditor, Stuart Allan, confirmed that water and sewerage payments formed 26.6% of the Council Tax bill. The Council paid this money over to Scottish Water and received from them £5.73 per property for costs.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Payments to Scottish Water.

9. INTERNAL AUDIT REPORT – TYNE ESK LEADER PROGRAMME

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on the Tyne Esk LEADER Programme.

Ms Garden indicated that a review of the Tyne Esk LEADER Programme was carried out as part of the Audit Plan for 2013/14. The Programme is part of the Scottish Rural Development Programme (SRDP) aimed at promoting economic and community development within rural areas in East Lothian and Midlothian. In 2012/13 Audit Scotland carried out a review of LEADER projects throughout Scotland and identified significant concerns in a number of areas. In May 2013 a Scottish Government monitoring visit reviewed 10 project files and identified a number of issues. An action plan was drawn up with the LEADER Project Officer. Ms Garden presented the main findings of the internal audit report outlining the areas where expected controls were met and the areas with scope for improvement.

In response to a question from Councillor Currie, Ms Garden confirmed that arrangements were being put in place to address any potential conflicts of interest when Local Action Group members were also involved in project applications. Tom Shearer, Head of Communities and Partnerships, commented that many of the issues identified by the monitoring visit and the audit were administrative matters and that a rigorous review of files had been undertaken and procedures put in place to improve record keeping.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for the Tyne Esk LEADER Programme.

10. INTERNAL AUDIT REPORT – STATUTORY PERFORMANCE INDICATORS 2012/13

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Statutory Performance Indicators 2012/13.

Ms Garden indicated that in 2012/13 the Council reported on 25 Statutory Performance Indicators and, as part of the audit plan, Internal Audit reviewed a sample of 5 indicators. She presented the main findings of the report outlining the areas where expected controls were met and the areas with scope for improvement. There were no questions or comments from Members.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Statutory Performance Indicators 2012/13.

11. INTERNAL AUDIT FOLLOW-UP REPORTS

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recent follow-up work undertaken by Internal Audit.

Ms Garden told Members that Internal Audit had followed up the recommendations made in previously issued audit reports to ensure that they had been implemented as agreed by Management. She presented the report which showed that most of the recommendations had been fully implemented; a few partially implemented and only 2 were outstanding. There were no questions or comments from Members.

Decision

The Committee noted the findings of Internal Audit's follow-up work on Pathway Residential Unit for Young People, Prestonpans Infant School, Debtors, Non-Domestic Rates – Liability, Council Tax – Refunds and How Good is our Council (HGIOC).

12. INTERNAL AUDIT REPORT – HOUSING REPAIRS AND MAINTENANCE

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Housing Repairs and Maintenance.

Ms Garden indicated that the main purpose of the review was to ensure that the internal controls for housing repairs and maintenance were operating effectively. She presented the main findings of the report outlining the areas where expected controls were met and the areas with scope for improvement. She pointed out that the current responsible officer for the audit was the Property Maintenance Manager but that this may change following the realignment of Council services.

In response to a question from Councillor Currie, Ms Garden explained that historically there had been no consistent approach to identifying private owners in respect of rechargeable repairs for communal areas. This issue would be addressed as part of the action plan agreed by management.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Housing Repairs and Maintenance.

13. INTERNAL AUDIT REPORT – LICENSING

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Licensing.

Ms Garden indicated that a review of the internal controls surrounding the administration of the licensing process was carried out as part of the Audit Plan for 2013/14. She presented the main findings of the report outlining the areas where expected controls were met and the areas with scope for improvement. There were no questions or comments from Members.

Decision

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

14. INTERNAL AUDIT REPORT – PENCAITLAND PRIMARY SCHOOL

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Pencaitland Primary School.

Ms Garden indicated that a review of Pencaitland Primary School was undertaken as part of the 2013/14 Audit Plan. She presented the main findings of the report commenting that this had been a very good audit with controls operating well in almost all areas. There were no questions or comments from Members.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for Pencaitland Primary School.

15. INTERNAL AUDIT REPORT – INSURANCE AND CLAIMS

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the recently issued audit report on Insurance and Claims.

Ms Garden presented the report outlining the purpose of the review, the main findings and the recommendations for action. There were no comments or questions from Members.

Decision

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

16. INTERNAL AUDIT PROGRESS REPORT 2013/14

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of Internal Audit's progress against the annual audit plan for 2013/14.

Ms Garden explained that the Council's external auditors, in their Interim Management report of April 2013, recommended that Internal Audit should present regular progress reports to the Audit & Governance Committee. She presented the report outlining the progress made to date against the annual audit plan. There were no questions or comments from Members.

Decision

The Committee noted the contents of the Internal Audit Progress Report 2013/14.

17. ANNUAL WORK PROGRAMME 2013/14

The Committee was provided with a copy of the updated annual work programme for 2013/14. Mr Vestri presented the work programme for information and drew Members' attention to the reports proposed for the next meeting of the Committee. There were no questions or comments from Members.

Decision

The Committee noted the annual work programme.

Signed

Councillor Kenny McLeod
Convener of the Audit and Governance Committee