



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

**TUESDAY 21 JANUARY 2014
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 Goodfellow
Councillor F McAllister
Councillor J Williamson

Other Councillors Present:

Councillor J McMillan

Council Officials Present:

Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Mr J Lamond, Head of Council Resources
Ms S Cormack, Service Manager – HR and Payroll
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr A Strickland, Policy Officer

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr S Reid, Engagement Director, KPMG LLP
Mr D Anderson, CIPFA (Items 1 – 8)

Apologies:

None

Declarations of Interest:

Councillor McMillan, a member of the Board of Directors of East Lothian Investments Ltd, declared an interest in item 9.

1. MINUTE OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE ON 19 NOVEMBER 2013

The minute of the meeting of the Audit & Governance Committee on 19 November 2013 was presented for approval.

Decision

The Committee approved the minute.

2. AUDIT STRATEGY REVIEW AND PLAN

KPMG submitted a report to the Committee on how they will deliver their audit of East Lothian Council for the year ended 31 March 2014.

Mr Stephen Reid, Engagement Director, KPMG LLP, presented the report summarising the main focus of the external audit and drawing Members' attention to the areas of significant risk identified within the report.

Councillor Currie raised the issue of tracking performance against planned efficiency savings and the role of the Audit & Governance Committee in this area. He also sought assurances from officers that the Council was on course to deliver its efficiency savings and, where this was not the case, appropriate action would be taken. Mr Reid stated that external auditors would always favour savings being made on a recurrent basis, rather than one-offs, as this was more likely to sustain overall improvement in the longer term. In his view, the Committee's role was to ensure that procedures were in place to adequately scrutinise financial management decisions, rather than to take those decisions themselves.

Mr Jim Lamond, Head of Council Resources, said that extension of the existing financial risk matrix to incorporate a red/amber/green efficiency rating had improved the Council's ability to track how and where savings were being made and to monitor performance against targets. Both the risk assessment and the efficiency rating were now built into the quarterly reports presented to Cabinet. He considered that the current timetable and reporting system was working well but acknowledged that the Audit & Governance Committee had a legitimate interest in this area; and he did not discount the possibility of additional reporting to the Committee and/or Cabinet should this prove necessary.

Decision

The Committee noted the report.

3. SCOTLAND'S PUBLIC SECTOR WORKFORCE

A report was submitted by the Depute Chief Executive (Resources and People Services) to provide the Committee with a summary of the Audit Scotland report, '*Scotland's Public Sector Workforce*', and the Council's actions in relation to the report's recommendations.

The Service Manager – HR and Payroll, Sue Cormack, presented the report outlining the key findings of the audit to assess if public bodies are effectively managing

changes to their workforces. The audit considered responses from 80 public bodies and covered the period April 2009 to March 2013.

In response to a question from the Convenor, Mr Lamond explained that the audit had produced mixed findings in relation to workforce planning with a variety of practices in evidence across the country. He referred Members to the sections of the report detailing examples of best practice most of which were currently evident in the practice of East Lothian Council.

Decision

The Committee noted the Audit Scotland report and the actions being taken by the Council in relation to the report's recommendations.

4. CHARGING FOR SERVICES (AUDIT SCOTLAND, OCTOBER 2013)

A report was submitted by the Depute Chief Executive (Resources and People Services) to provide the Committee with a summary of the Audit Scotland report, '*Charging for Services: are you getting it right?*', and the actions being taken by the Council in response to the report's recommendations.

Policy Officer, Andrew Strickland, presented the report and its findings in relation to current charging practices, the contribution charges make to Council income and examples of good practice. In East Lothian the proportion of council income derived from charges and fees, as a percentage of income from council tax, currently stands at 31.2% - considerably lower than neighbouring authorities.

In response to questions from Members on charging levels, Mr Strickland indicated that the Council was currently undertaking a benchmarking exercise to compare their charges with neighbouring authorities. This would look at how charges are set and why, and would allow for a more consistent approach to be developed across the Council.

Decision

The Committee noted the Audit Scotland report and the actions that East Lothian Council is taking in response to the report's recommendations.

5. ANNUAL WORK PROGRAMME 2013/14

The Committee was provided with a copy of the annual work programme for 2013/14. Mr Strickland presented the work programme for information and drew Members' attention to the reports scheduled to come before the Committee's next meeting in March 2014.

Decision

The Committee noted the annual work programme.

6. INTERNAL AUDIT REPORT – SCOTTISH WELFARE FUND

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 Scottish Welfare Fund.

The Internal Audit Manager, Mala Garden, presented the report which was undertaken as part of the 2013/14 audit plan. The main purpose of the audit was to ensure that the internal controls in place for administering the Scottish Welfare Fund were operating effectively.

Councillor Currie commended the report and, in particular, that the action plan would be implemented by February 2014. Mr Lamond expressed his thanks to the team administering the Scottish Welfare Fund, who had performed well to meet the challenges of delivering this scheme.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for the Scottish Welfare Fund.

7. INTERNAL AUDIT REPORT – NATIONAL FRAUD INITIATIVE

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the work undertaken on the 2012/13 National Fraud Initiative (NFI).

Ms Garden presented the report outlining the outcome of investigations into NFI data matches. The NFI uses such data matches to identify possible fraud or overpayment. Reports were examined in several different categories including payroll to creditors, housing tenants to housing benefit claimants, VAT overpaid and duplicate records.

Following questions from Members, Ms Garden explained that some of the work was still ongoing and, once concluded, an action plan would be prepared identifying the areas for improvement. Ms Garden undertook to provide the Committee with a final report in due course.

Decision

The Committee noted the contents of the report.

8. 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 reported that two audits on the work plan - mobile payment devices and residential units for young people - had been delayed and these would be presented at the Committee's meeting on 20 May 2014.

The Members discussed the benefits of receiving copies of the full audit reports rather than an executive summary and action plan as is currently the case. The Convenor commented that he received copies of the full reports direct from Internal Audit and did find these helpful. Ms Garden indicated that full reports could be made available on request but was happy to be guided by Members should they decide that full reports should be made available automatically. Mr Lamond agreed to give the matter further consideration and report back to the Committee.

Decision

The Committee noted the contents of the report.

SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION

The Committee agreed to exclude the public from the following business containing exempt information by virtue of Paragraphs 3, 4 and 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

(a) Internal Audit Report – East Lothian Investments Ltd

The Depute Chief Executive (Resources and People Services) submitted a report informing the Committee of the recently issued audit report on East Lothian Investments. The Committee agreed the recommendation.

Signed

Councillor Kenny McLeod
Convener of the Audit and Governance Committee