



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

**TUESDAY 18 MARCH 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 J Williamson

Council Officials Present:

Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Mr J Lamond, Head of Council Resources
Mr M Leys, Head of Adult Wellbeing
Mr T Shearer, Head of Communities and Partnerships
Mr J Cunningham, Service Manager - Benefits
Mr P Vestri, Service Manager - Corporate Policy & Improvement
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Ms S Burden, KPMG

Apologies:

Councillor F McAllister

Declarations of Interest:

None

1. MINUTES OF THE MEETING OF THE AUDIT & GOVERNANCE COMMITTEE ON 21 JANUARY 2014

The minutes of the meeting of the Audit & Governance Committee on 21 January 2014 were approved.

2. ANNUAL WORK PROGRAMME

The Committee was provided with a copy of the annual work programme for 2013/14.

The Service Manager - Corporate Policy & Improvement, Paolo Vestri, presented the work programme for information and drew Members' attention to the reports scheduled to come before the Committee's next meeting in May 2014.

Decision

The Committee noted the annual work programme.

3. INTERNAL AUDIT REPORT – CONTRACT PAYMENTS

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Contract Payments.

The Internal Audit Manager, Mala Garden, presented the report. She indicated that procurement formed a significant part of Council spending and the purpose of the audit was to ensure that internal controls in place for administering payments to suppliers were operating effectively. She drew Members attention to the findings, highlighting areas with scope for improvement.

Members asked questions about the sample size in the audit, the percentage of cases where issues had been raised and whether the number of problem cases was likely to increase the higher the sample size. Ms Garden explained that for this audit a sample of 15 contracts was selected and a number of audit tests were carried out. For each test, errors were only found in a minority of cases – in some instances only one error was found. On that basis there could be reasonable assurance that controls were working well. In addition, where issues had been identified the appropriate managers had been approached and action had been taken to address matters.

Head of Council Resources, Mr Jim Lamond, explained that the audit had given officers the opportunity to review procedures and promote good practice throughout the Council.

Councillor Currie asked that the Committee receive an update on whether all of the report's recommendations had been implemented. Ms Garden confirmed that a follow up report would be prepared as part of the 2014/15 audit plan.

Decision

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

4. INTERNAL AUDIT REPORT – HOUSING ALLOCATIONS

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Housing Allocations.

Ms Garden presented the report outlining the areas where controls were met and the areas with scope for improvement. The main objective of the audit was to ensure that the internal controls in place for Housing Allocations were operating effectively.

In response to questions from Members, Ms Garden explained that from the sample size of 20 housing allocations examined some inconsistencies had arisen and these had been followed up. Where risks had been identified in relation to the possibility of inappropriate housing allocations being made, a separate investigation was being carried out and a further report would be brought to the Committee upon its conclusion. Councillor Currie asked if this report would be available for the May Committee meeting. Ms Garden stated that she was not anticipating the report being completed for the May meeting, but that it would be brought to the Committee at a later date.

Councillor Currie welcomed the audit report and looked forward to receiving the results of the investigation. He commented that Council housing was a key issue for many constituents and it was important that officers apply the legislation and policy in a correct and fair manner.

Decision

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

5. INTERNAL AUDIT REPORT – COMMUNITY CARE FINANCE UNIT (CCFU)

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on the Community Care Finance Unit.

Ms Garden presented the report. The main objective of the audit was to ensure that the internal controls in place for administering the services previously provided by the Community Care Finance Unit (CCFU) were operating effectively. She outlined those areas where controls were met and the areas with scope for improvement. The main findings and recommendations for action had been agreed with management.

Members asked a number of questions about the issues raised in the audit, in particular the amount and type of information required from applicants, who is responsible for gathering this information, how incomplete information can affect financial assessments and whether the Council is losing money as a result.

Mr John Cunningham, Service Manager – Benefits, acknowledged that his staff needed to make better use of the information they are given to avoid duplication and to ensure that any gaps are addressed. Their emphasis was on improving processes to meet the requirements of the new financial assessment process and this audit had helped them to identify current good practice and areas that require further work.

Head of Adult Wellbeing, Mr Murray Leys, reminded Members that very often they are dealing with vulnerable people who don't have the information that is required and there is sometimes difficulty in getting the information that they do have. The Council is, however, obligated to carry out financial assessments and in around 60-70% of cases this assessment leads to some level of contribution from the applicant.

Mr Lamond added that the Benefits Team had very skilled and experienced staff who had responded well to the challenges of this new system. The audit findings had been helpful in identifying areas for improvement but had also shown the progress that had already been made. He assured Members that, where such cases were identified, the Council pursued recovery of financial losses as far as possible and practicable. Mr Leys agreed that the Council was able to pursue cases to a high level, e.g. Judicial Review, but these could be difficult and challenging and incur significant costs.

Depute Chief Executive, Mr Alec McCrorie, acknowledged the importance of scrutiny in these matters. Clearly there were risks associated with incomplete information gathering and financial assessment; however he was confident that officers would implement the recommendations for action to avoid similar problems in future.

Decision

The Committee noted the contents of the Executive Summary and Action Plan for the Community Care Finance Unit.

6. INTERNAL AUDIT FOLLOW-UP REPORT

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

Ms Garden presented the report. She explained that, as part of the audit plan for 2013/14, 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 summarised the findings drawing particular attention to the marked improvement in internal controls for the use of purchase cards.

In response to a question from Councillor Currie, Ms Garden confirmed that Internal Audit had reviewed a number of purchase card statements and any issues had been addressed directly with the managers concerned.

Decision

The Committee noted the findings of Internal Audit's follow-up work on Travel and Subsistence, Carbon Management Reduction and Purchase Cards.

7. AUDIT PLAN 2014/15

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of Internal Audit's operational plan for 2014/15.

Ms Garden presented the report drawing particular attention to the fact that, from 2014/15, full internal audit reports will be available to Committee members on request. Mr McCrorie welcomed the comprehensive audit plan which had taken account of comments made by Committee members at previous meetings.

Decision

The Committee approved the Audit Plan for 2014/15.

8. INTERNAL AUDIT PROGRESS REPORT 2013/14

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

Ms Garden presented the report of audits completed to date, as part of the 2013/14 audit plan, and those still in progress.

Councillor Currie thanked officers for addressing his previous query regarding the register of Gifts and Hospitality.

Decision

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

Signed

Councillor Kenny McLeod
Convener of the Audit and Governance Committee