



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

**TUESDAY 9 SEPTEMBER 2014  
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

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**Committee Members Present:**

Councillor J Williamson (Vice-Convener)  
Councillor J Caldwell  
Councillor S Currie  
Councillor A Forrest  
Councillor J Goodfellow  
Councillor F McAllister

**Council Officials Present:**

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  
Mr D Heaney, Acting Head of Adult Wellbeing  
Mr D Proudfoot, Acting Head of Development  
Ms S Fortune, Service Manager – Business Finance  
Mr P Vestri, Service Manager - Corporate Policy  
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 A Shaw, Director, KPMG  
Ms S Burden, Assistant Manager, KPMG

**Apologies:**

Councillor K McLeod  
Councillor S Brown

**Declarations of Interest:**

None

## **1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING 15 JULY 2014**

The minutes of the meeting of the Audit & Governance Committee held on 15 July 2014 were approved.

In response to a question from Councillor McAllister, Mr Jim Lamond, the Head of Council Resources, advised that Common Good Committees had no borrowing power and any possibility of borrowing through the Council would require a change to Standing Orders.

## **2. ANNUAL AUDIT REPORT TO THE MEMBERS OF EAST LoTHIAN COUNCIL**

KPMG submitted its annual audit report to the Committee providing its findings in relation to the audit for the year ended 31 March 2014.

Mr Andrew Shaw, Director KPMG LLP, presented the report summarising the salient features of the audit and drawing Members' attention to areas of significant risk which formed part of the audit's focus. He noted that in general control measures appeared to be working effectively and a number of areas of good practice had been identified. He anticipated issuing an unqualified audit opinion.

Responding to questions from Councillor Currie, Mr Shaw explained that the key issue was that Management were closely monitoring borrowing and had a range of control measures in place. However, he acknowledged that there needed to be an awareness of the longer term impact of current year underspends due to slippage of capital projects.

In response to a question from the Vice Convenor in relation to mortgage to rent properties, Mr Lamond confirmed that unplanned property maintenance costs were accounted for via compensated receipts from the capital account.

Councillor Currie thanked KPMG for their audit report which, he said, reflected the work done within the Council on its financial management strategy. However, he cautioned against complacency pointing out that the impact of current year underspends on capital projects was a concern, as was the net external debt level. He concluded that work remained to be done and the Audit and Governance Committee had a key role to play in this process.

The Vice Convenor also thanked KPMG for their report and noted that the likelihood of an unqualified audit opinion was good news.

### **Decision**

The Committee noted the report.

## **3. ARM'S-LENGTH EXTERNAL ORGANISATIONS – ARE YOU GETTING IT RIGHT?**

KPMG submitted a report to the Committee on its findings from a targeted follow-up on the Council's arrangements as they relate to the Accounts Commission report 'Arms Length External Organisations: Are you getting it right?'

Mr Shaw presented the report advising Members that the consideration of the overall arrangements for governance and accountability had focused on Enjoy East Lothian Limited, as the sole ALEO of the Council. He indicated that the report addressed the five key questions in the checklist provided by Audit Scotland to inform follow-up work.

Responding to questions from Members, Mr Shaw explained that the report dealt only with Enjoy East Lothian Limited. He confirmed that KPMG would wish to see the responses graded at 'basic' improved to 'basic and better' but that achieving 'advanced' grading was a matter for the Council.

#### **Decision**

The Committee noted the report.

#### **4. STATUTORY PERFORMANCE INDICATORS**

KPMG submitted a report to the Committee outlining its findings from a review of East Lothian Council's approach to Statutory Performance Indicators.

Ms Sarah Burden, Assistant Manager KPMG LLP, presented the report advising Members that the audit had focused on two key areas - planning arrangements and systems assessment – and had been a two stage process. The findings from the initial stage showed areas of good practice within the Council and were outlined in the report before the Committee. The results of the second stage of the audit would be reported to the Accounts Commission by May 2015.

#### **Decision**

The Committee noted the report.

#### **5. CORPORATE RISK REGISTER**

A report was submitted by the Chief Executive inviting the Committee to note and comment on the updated Corporate Risk Register.

The Service Manager - Corporate Policy, Paolo Vestri, presented the Corporate Risk Register following its approval by Cabinet at their meeting on 12 June 2014. He drew Members' attention to the assessment which included one Very High risk, eight High and five Medium risks. Mitigating factors had been put in place for the Very High risk item along with a range of risk control measures for the other items. He advised that detailed Risk Registers for all services would be brought to future meetings of the Committee.

In response to questions from Councillor Currie, Mr Lamond stated that the Council's Management Team continually reviewed the measures in place to ensure that items of Medium to Very High risk were being managed appropriately. He advised that although none of the measures identified had involved additional capital investment, the issue of resources always formed part of the review of risk control measures. He commented that there remained significant financial challenges ahead both nationally and at local government level; however the Council's financial strategy continued to be effective in preparing them for the difficult times ahead.

## **Decision**

The Committee agreed to note the Corporate Risk Register for 2014 and, in doing so:

- noted that the relevant risks have been identified;
- noted that the significance of each risk is appropriate to the current nature of the risk;
- noted that the total profile of corporate risk 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 2014, 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.
- noted that the Council Management Team will review risks in the Corporate Risk Register on a regular basis.

## **6. OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2014 (ACCOUNTS COMMISSION, MARCH 2014)**

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) on East Lothian Council's position in relation to the findings of the Accounts Commission report, 'An overview of local government in Scotland 2014'.

Mr Vestri presented the report detailing the three key themes and summarising the findings and recommendations. He indicated that East Lothian Council had, by and large, responded to the issues raised in the Accounts Commission report and referred to actions points which had been included in the 2014/15 Council Improvement Plan.

Responding to questions from Members, Mr Vestri advised that a draft charging policy is being prepared along with a benchmarking exercise comparing the Council's charges with those in Midlothian and Borders. A report should go to Council before the end of the year. He explained that arrangements for scrutiny of police and fire board matters varied between local authorities. In East Lothian, these matters were now dealt with via the Safe and Vibrant Communities Partnership and other Councils had taken a similar approach.

Councillor Currie noted Mr Vestri responses but stated that, in his view, the current arrangements for scrutiny of police and fire board matters were not adequate.

The Vice Convenor expressed disappointment that only 5 of the 23 Elected Members had signed up for Continuing Professional Development and encouraged his colleagues to get involved in the programme.

## **Decision**

The Committee agreed to note the position of East Lothian Council in regard to the findings and recommendations of the Overview of Local Government in Scotland 2014.

## **7. OPTIONS APPRAISAL: ARE YOU GETTING IT RIGHT/ (AUDIT SCOTLAND, MARCH 2014)**

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) providing the Committee with a summary of the Audit Scotland report, 'Options Appraisals: are you getting it right?' and the actions being taken by the Council in response to the report's recommendations.

Mr Vestri presented the report drawing Members' attention to the comments on Best Value reviews, benchmarking and options appraisals. He advised that a template for Best Value reviews was in place, based on the recommendations of Audit Scotland, and the Council would be undertaking its own Best Value reviews over the next year.

Councillor Currie welcomed the report and its recommendations. He stressed the importance of all Members having access to the full options appraisal when taking decisions. He suggested that reference be made to options appraisal in officers' reports, in the same way as was currently done with Equalities Impact Assessments.

Mr Alex McCrorie, Depute Chief Executive (Resources and People Services), acknowledged the need to develop the use of options appraisals and referred to work highlighted in the report as a sign of the Council's progress in this area.

Mr Lamond indicated that Councillor Currie's views would be considered as part of the review of the Council's committee report template which was currently underway.

### **Decision**

The Committee agreed to note the Audit Scotland report and the actions that East Lothian Council is taking to develop the use of options appraisal.

## **8. ANNUAL WORK PLAN 2014/15**

Mr Vestri presented the Audit & Governance Committee's 2014/15 work plan to members for noting. He pointed out that there would be a number of Accounts Commission reports being presented to the Committee over the coming months and the work plan would shortly be updated to include the Internal Audit reports for the year.

Mr Lamond advised Members that some thought was being given to the timing of the July 2015 meeting to discuss the draft annual accounts and this meeting may be brought forward to June to allow consideration of the unaudited annual accounts prior to their submission.

### **Decision**

The Committee agreed to note the work plan.

## **9. INTERNAL AUDIT REPORT – MOBILE PAYMENT DEVICES**

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

The Internal Audit Manager, Mala Garden, presented the report summarising the main findings and drawing members' attention to the recommendations agreed by management.

In response to a question from Councillor Currie, Ms Garden explained that the devices were set up to accept payments in respect of rent arrears, council tax and business rates and that the devices had not been used to process refunds.

**Decision**

The Committee agreed to note the contents of the Executive Summary and Action Plan for Mobile Payment Devices.

**10. INTERNAL AUDIT REPORT – RESIDENTIAL UNITS FOR YOUNG PEOPLE**

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Residential Units for Young People.

Ms Garden presented the report summarising the main findings. She noted that adequate controls were in place for monitoring of internet usage, however, there were some areas with scope for improvement such as extending the Council's IT acceptable use policy to residential units.

Responding to questions from Councillor Forrest, Ms Garden confirmed that only the two administrators could install software on the computers but that a register was required to record what had been installed.

**Decision**

The Committee agreed to note the contents of the Executive Summary and Action Plan for Residential Units for Young People.

**11. INTERNAL AUDIT REPORT – FOSTERING AND KINSHIP CARE ALLOWANCES**

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

Ms Garden presented the report advising members that the main objective of the audit was to ensure that internal controls were operating effectively. She summarised the areas where controls were met, those with scope for improvement and the action plan agreed by management.

In response to a question from Councillor Currie, Ms Garden indicated that the risks highlighted in the report related to the potential for unauthorised payments being made. However, she pointed out that no such payments had been found within the audit sample.

**Decision**

The Committee agreed to note the contents of the Executive Summary and Action Plan for Fostering and Kinship Care Allowances.

**12. AUDIT SCOTLAND REPORT – THE NATIONAL FRAUD INITIATIVE IN SCOTLAND (JUNE 2014)**

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the Audit Scotland report on 'The National Fraud Initiative in Scotland' issued in June 2014.

Ms Garden presented the report advising Members that the National Fraud Initiative data matching exercise was undertaken every two years and led by Audit Scotland. Internal Audit's involvement in the exercise had previously been reported to the Committee in January 2014 and this report provided a summary of the exercise's key messages and outcomes.

**Decision**

The Committee agreed to note the key messages contained in Audit Scotland's report, 'The National Fraud Initiative in Scotland'.

**13. INTERNAL AUDIT PROGRESS REPORT 2014/15**

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 2014/15.

Ms Garden presented the report drawing Members' attention to the audits completed to date.

**Decision**

The Committee agreed to note the contents of the Internal Audit Progress Report 2014/15.

**SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION**

The Committee agreed to exclude the public from the following business containing exempt information by virtue of Paragraph 1 of Schedule 7A of the Local Government (Scotland) Act 1973.

**(a) Investigation – Housing Allocations**

The Depute Chief Executive (Resources and People Services) submitted a report informing the Committee of the findings from Internal Audit's investigative work on Housing Allocations. The Committee agreed the recommendation.

Signed

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Councillor John Williamson  
Vice-Convener of the Audit and Governance Committee