



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

**TUESDAY 18 NOVEMBER 2014  
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 F McAllister  
Councillor J Williamson

**Council Officials Present:**

Mr A McCrorie, Depute Chief Executive (Resources and People Services)  
Mr J Lamond, Head of Council Resources  
Mr D Nightingale, Head of Education  
Mr T Shearer, Head of Communities & Partnerships  
Mr M Leys, Head of Adult Wellbeing  
Ms S Saunders, Head of Children's Wellbeing  
Ms M Ferguson, Service Manager – Legal & Procurement  
Ms K Maguire, Service Manager – Corporate Finance  
Ms L McLean, Service Manager – Strategic Asset & Capital Plan Management  
Mr P Vestri, Service Manager - Corporate Policy  
Ms T Leddy, Area Manager, Adult Wellbeing  
Ms M Garden, Internal Audit Manager  
Mr S Allan, Senior Auditor  
Mr S Kennedy, Emergency Planning & Risk Officer

**Clerk:**

Miss F Currie, Committees Assistant

**Apologies:**

Councillor J Caldwell

**Declarations of Interest:**

None

## **1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING ON 9 SEPTEMBER 2014 FOR APPROVAL**

The minutes of the Audit & Governance Committee meeting on 9 September 2014 were presented for approval.

Councillor McAllister expressed concern about the recording of the discussion relating to the private item of business. The Head of Council Resources, Jim Lamond, indicated that it was not a verbatim minute however, if the Councillor felt that it was not reflective of the discussion, he would be happy to consider any amendments.

### **Decision**

The Committee agreed to approve the minutes.

## **2. CHILDREN'S WELLBEING RISK REGISTER**

A report was submitted by the Chief Executive presenting the Audit & Governance Committee with the Children's Wellbeing Risk Register for discussion, comment and noting.

The Emergency Planning & Risk Officer, Scott Kennedy, presented the report drawing Members' attention to the standard (5x5) matrix used to evaluate risk and summarised the Council's response in relation to adverse risk. He indicated that the evaluation had identified 5 high risks and 2 medium risks for the Children's Wellbeing Service and these were outlined in the Register.

Councillor Currie asked about the risk of failing to deliver key services due to budget restraints and the apparent discrepancy between the assessment in the Risk Register and the report to Cabinet earlier this month highlighting a budget overspend: the Risk Register rating the risk as 'High' and the Cabinet report rating it as 'Very High'. He said that, in his view, the budget was not sufficient to meet the needs of the Service. However, if the Council's position was that the budget was sufficient, then Members needed to understand why the Service was overspending.

The Head of Children's Wellbeing, Sharon Saunders, advised that these risks related to staffing and practice within the Service and reflected the intrinsic risks involved in working with vulnerable children and families. She stated that the budget was subject to severe scrutiny and the current overspend was being controlled as stringently as possible. However, this had to be balanced with the realities of a demand-led Service which was dealing with an increasing number of referrals.

The Depute Chief Executive, Alex McCrorie, thanked the Councillor for his comments which he said would be taken into account during forthcoming budget discussions. In the meantime, he assured Members that there would be no impediments to Ms Saunders taking whatever action was necessary to meet the essential demands of her Service.

Responding to questions on Lothian Villa, Ms Saunders indicated that the risk of delay outlined in the Register referred to hypothetical problems with the planning and building process rather than actual delays. She confirmed that her staff meet

regularly with officials to ensure such delays can be avoided and that the project was still on target to deliver in autumn/winter 2015.

### **Decision**

The Committee noted the Children's Wellbeing Risk Register, and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk;
- 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;
- although the risks presented are those requiring close monitoring and scrutiny over the next year, 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; and
- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Children's Wellbeing Local Risk Working Group (LRWG).

### **3. ADULT WELLBEING RISK REGISTER**

A report was submitted by the Chief Executive presenting the Audit & Governance Committee with the Adult Wellbeing Risk Register for discussion, comment and noting.

Mr Kennedy presented a summary of the report referring Members to the Register which outlined 1 'Very High', 6 'High' and 7 'Medium' risks for Adult Wellbeing.

In response to questions from Councillor Currie, Mr Kennedy pointed out that the Risk Register was a live document which was continually being reviewed and updated and that the scorings may be expected to reduce over time.

The Head of Adult Wellbeing, Murray Leys, acknowledged that there was a significant amount of demographic pressure and that this did affect the demand on services. He pointed out that there were budget pressures across the Council and service budgets were continually being reviewed. In addition, he said his Service was continually looking at how to make the best use of scarce resources and target care more appropriately, as well as recycling care back into the system.

### **Decision**

The Committee noted the Adult Wellbeing Risk Register, and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk;
- 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;
- although the risks presented are those requiring close monitoring and scrutiny over the next year, 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; and

- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Adult Wellbeing Local Risk Working Group (LRWG).

#### **4. EDUCATION RISK REGISTER**

A report was submitted by the Chief Executive presenting the Audit & Governance Committee with the Education Risk Register for discussion, comment and noting.

Mr Kennedy presented a summary of the report and the Risk Register compiled by the Education Local Risk Working Group which included details of 3 'High', 8 'Medium' and 3 'Low' risks.

Members questioned the Head of Education, Darrin Nightingale, on a range of issues including SQA results, improving, measuring and comparing attainment levels, supply teachers, and PPP contracts.

Mr Nightingale confirmed that the final SQA figures would be available in late January 2015 and a report would be submitted to the Education Committee at its meeting in March. He advised Members that a new comparison tool was being introduced to replace comparator local authorities: the virtual comparator looked at individual pupils and compared them to others in similar circumstances from across Scotland. Following a successful pilot, it has been rolled out to all schools across the county.

On attainment, Mr Nightingale indicated that there was still much work to be done. Meetings had been taking place with head teachers to review the SQA results and the output from these meetings will contribute to a three year local Education Improvement Strategy/Plan. In addition the Department is supporting the work of Area Partnerships to improve attendance levels. All of these were seen as key elements to improving overall attainment. Acknowledging that teacher numbers were also a factor, he said he would be looking to manage teacher numbers as effectively as possible. He was also considering a number of initiatives, including recruiting teachers who are experienced but perhaps need an update re Curriculum for Excellence. In addition he discussed creating an Operational Reserve Team, to increase availability of supply teachers.

Mr Nightingale advised that the PPP contract term was 35 years and he worked closely with the PPP Team to monitor progress. Mr Lamond confirmed that there were no concerns about the financial or business worthiness of the contractor at present.

#### **Decision**

The Committee noted the Education Risk Register, and in doing so, noted that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk;
- 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;
- although the risks presented are those requiring close monitoring and scrutiny over the next year, 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; and

- while this report has been compiled by the Risk Officer, the Risk Register has been compiled by the Education Local Risk Working Group (LRWG).

## **5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW 2014/15**

A report was submitted by the Depute Chief Executive (Resources & People Services) to update the Audit & Governance Committee on treasury management activity during the first half of 2014/15.

The Service Manager – Corporate Finance, Kirsten Maguire, presented the report summarising key points and referring to the specialist advice provided by Capita Asset Services and their recent training for Members. She confirmed that the Council was continuing to pursue the strategy approved in February 2014 and to take advantage of good short term and longer term borrowing rates. She drew attention to the information provided on current borrowing and repayment of loans and indicated that although no new investments had been made in the last six months, the two existing investment portfolios had shown a slight increase in value.

Responding to questions from Councillor Currie, Ms Maguire acknowledged that, dependant on the circumstances; the timing of borrowing could affect the overall cost of funding capital projects. She advised that Capita provide training and financial modelling, and decisions on how to fund the capital plan would be governed by a range of factors including prudential indicators. She pointed out that while there were many assumptions in treasury management, it was about how to manage these and use specialist advice to make the best decisions possible at any given time.

The Convenor noted that this would be Ms Maguire's last Committee meeting. He thanked her for her contribution and wished her well for the future.

### **Decision**

The Committee noted the content of the report.

## **6. 2014/15 COUNCIL IMPROVEMENT PLAN MONITORING REPORT**

A report was submitted by the Depute Chief Executive (Partnerships & Community Services) to present the Audit & Governance Committee with the 2014/15 Council Improvement Plan six month monitoring report.

The Service Manager - Corporate Policy, Paolo Vestri, presented the report outlining progress with implementing the 11 action points in the Improvement Plan agreed by Council on 24 June 2014 and which related to work being undertaken at a council-wide level.

### **Decision**

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

## **7. PROCUREMENT IN COUNCILS (AUDIT SCOTLAND, APRIL 2014)**

A report was submitted by the Depute Chief Executive (Resources & People Services) advising the Audit & Governance Committee of the findings of the Audit Scotland report, *'Procurement in Councils'* and to reflect the extent to which East Lothian Council is working in accordance with the recommendations of that report.

The Service Manager – Legal & Procurement, Morag Ferguson, presented the report drawing Members' attention to the key findings and recommendations of the Audit Scotland review and East Lothian Council's response. She indicated that the Council's position was mixed but positive overall with a number of the recommendations already achieved. Further work was ongoing to secure improvements in procurement strategy and practice and to bring the Council into line with the remaining recommendations.

Ms Ferguson referred to forthcoming changes to procurement legislation which would have a significant impact on the Council's procurement. She explained that the position, including any need for future increase in resources, would be kept under review.

In response to questions from Councillor Currie, Ms Ferguson said that although it was often difficult to quantify savings through procurement, efforts were being made to include details of any savings as part of a monthly contract report. In addition, a new procurement strategy was being prepared for the coming financial year with a report on its performance due at the year end.

Councillor McAllister asked about the scope for breaking down larger contracts to encourage tenders from smaller, local firms and whether it was possible to include conditions such as payment of the living wage. Ms Ferguson explained that it was often more efficient to appoint one larger contractor who could then subcontract parts of the job to smaller firms. Through the use of Hub Co. and Scotland Excel it was possible to know who such subcontractors might be. She advised that it was against EU regulations to insist that firms pay their staff the living wage.

### **Decision**

The Committee noted the report and the actions that East Lothian Council is taking to improve effectiveness of East Lothian's procurement processes.

## **8. SELF DIRECTED SUPPORT (AUDIT SCOTLAND, JUNE 2014)**

A report was submitted by the Director of the Health & Social Care Partnership providing the Audit & Governance Committee with a summary of the Audit Scotland report, *'Self Directed Support'*.

The Area Manager, Adult Wellbeing, Trish Leddy, presented the report. She explained that the Self Directed Support (Scotland) Act 2013 was introduced in April 2014 to give individuals greater choice and control over their support and to promote a shift towards 'outcome based' support. The Audit Scotland report highlighted the amount of work Councils still need to do to implement Self Directed Support (SDS) and made a number of recommendations. Councils were currently in year 4 of a 10 year strategy set out by the Scottish Government for the implementation of SDS. Ms Leddy advised that, in East Lothian, the next stage of implementation would involve looking at issues such as managing risk, financial sustainability and working with users and carers to further promote the use of SDS.

The Members asked a number of questions on services and delivery mechanisms, finance, capability, assessments, employment issues and the viability of existing services.

Ms Leddy indicated that SDS, as a mechanism, was underpinned by good social work practice which allowed service users greater choice between traditional options and using direct payments to access support in a new way and through non-traditional providers. She acknowledged that this would mean reviewing delivery of services in the longer term and may potentially signal a shift away from more traditional facilities and services.

Ms Leddy advised Members that there were clear guidelines relating to those individuals who did not have the capability to decide for themselves to prevent misuse of direct payments. In relation to assessments, she pointed out that while these were not location based consideration was given to facilities available in the local area. She confirmed that Personal Assistants would be classed as employees and that work was underway to help service users access advice and support on employment issues.

The Head of Adult Wellbeing, Murray Leys, stated that the implementation of SDS would result in a better use of resources within the expected financial constraints, as well as more efficient service delivery. While it was not envisaged that SDS would deliver significant savings, this would continue to be monitored over the 10 year implementation period. Mr Leys agreed to look at providing regular progress reports to Members.

Mr Leys acknowledged that the Council had a duty of due diligence when it came to reviewing the financial sustainability of service providers and he was working with CoSLA on how to do this. In the meantime, the focus would be on reshaping services based on the requirements of users and developing guidelines to promote fair and equitable access to care in all locations and with due regard to personal circumstances.

### **Decision**

The Committee noted the report and its two supplements.

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

Mr Vestri presented the Audit & Governance Committee's annual work plan 2014/15 to Members for noting. He drew attention to the four Risk Registers scheduled for presentation at the next meeting and indicated that these would now be split between the January and March meetings. Additional Audit Scotland and Accounts Commission reports would also be scheduled into future meetings.

### **Decision**

The Committee agreed to note the work plan.

## **10. INTERNAL AUDIT REPORT – MODERNISATION PROGRAMME (SHQS)**

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on the Modernisation Programme (SHQS).

The Internal Audit Manager, Mala Garden, presented the report advising Members that the review was undertaken as part of the audit plan for 2013/14. The main objective of the audit was to review the effectiveness of the Modernisation Programme (Existing Stock) and to report on progress made by the Council towards meeting the Scottish Housing Quality Standard (SHQS) by the Scottish Government's target date of 2015. She summarised the main findings and highlighted some areas with scope for improvement.

Responding to a question from Councillor Currie, Ms Garden stated that the stock condition survey had been undertaken in four tranches and clearly identified where and when work would be required. However, the stock condition database had not been updated to reflect subsequent repairs undertaken.

The Head of Communities & Partnerships, Tom Shearer, acknowledged that there had been issues but these were being addressed by the recent restructuring of the team, the appointment of an Asset Manager and the introduction of a new database to record stock condition and repairs. Mr Shearer advised that the Council was nearing a 90% compliance rate with the SHQS and he was hopeful of achieving 100% by March 2015. In the meantime, he welcomed the report and was satisfied that the measures outlined in the action plan would mitigate the risks identified.

### **Decision**

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

## **11. INTERNAL AUDIT REPORT – RECORDS MANAGEMENT (PUBLIC RECORDS (SCOTLAND) ACT 2011)**

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on Records Management (Public Records (Scotland) Act 2011).

Ms Garden presented the report to Members. The main objective of the review was to assess the Council's progress in meeting the requirements of the Public Records (Scotland) Act 2011 which came into force on 1 January 2013. She drew attention to the Records Management Plan which was approved by Council and submitted to the Keeper of the Records of Scotland on 31 October 2014. The Plan would be implemented in stages over a 5 year period and Internal Audit would undertake a further review of progress in 2017.

### **Decision**

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



## **12. INTERNAL AUDIT REPORT – BATHROOM ADAPTATIONS**

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on Bathroom Adaptations.

Ms Garden presented the report advising Members that the audit had examined the adequacy and effectiveness of the Council's Framework Agreement for Bathroom Adaptations. She outlined areas where expected controls were met and the areas with scope for improvement.

Councillor Currie expressed concern over the number of recommendations in the action plan all of which were graded 'medium' or 'high'. However, he noted that two of those rated 'high' had already been addressed and he was satisfied that the measures put in place would allow the service to function effectively and achieve best value.

The Convenor commented that the cheapest option was not always the best.

Councillor McAllister asked whether there were circumstances in which the Council could reject tenders from companies whom they may suspect of being insolvent or using inappropriate business practices such as overpricing. Ms Garden indicated that all tenders had to go through a four stage evaluation process. Ms Ferguson confirmed that there were statutory grounds for rejecting tenders before the evaluation process but there would need to be clear evidence of wrongdoing. Any tenders that appeared to be overpriced would likely be eliminated during evaluation.

The Service Manager – Strategic Asset & Capital Plan Management, Liz McLean, explained that the objective was to develop a framework which would develop best value contractors who also understood the issues around working in the homes of vulnerable people. She acknowledged that managing this process and keeping progress on track was challenging.

### **Decision**

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

## **13. INTERNAL AUDIT REPORT – FINANCIAL ARRANGEMENTS AT CROOKSTON CARE HOME**

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Audit & Governance Committee of the recently issued audit report on the Financial Arrangements operating at Crookston Care Home.

Ms Garden presented the report of the review undertaken as part of the audit plan for 2014/15. She outlined the main findings of the audit including the areas where expected controls were met and those with scope for improvement.

Councillor Currie commended the audit as a worthwhile exercise and noted that all of the recommendations for action were either complete or due to be completed within the coming weeks.

In response to a question from Councillor Goodfellow, Ms Garden confirmed that the reference to bank accounts related to those for the Care Home rather than individual residents.

Mr Leys welcomed the audit report which he said had been specifically requested from Internal Audit to ensure that the Care Home was compliant with financial operating procedures.

**Decision**

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

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

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

Ms Garden invited Members to note the progress as outlined in the report.

**Decision**

The Committee noted the contents of the Internal Audit Progress Report 2014/15.

Signed .....

Councillor Kenny McLeod  
Convener of the Audit and Governance Committee