



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

**TUESDAY 17 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 F McAllister
Councillor J Williamson (Items 1 – 12 & 17)

Other Councillors Present:

Councillor J McMillan (Items 15 & 16)

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 Proudfoot, Head of Development (Interim)
Ms S Fortune, Service Manager – Business Finance
Mr J Cunningham, Service Manager – Benefits
Ms K MacNeill, Service Manager – Licensing, Admin and Democratic Services
Ms M Ferguson, Service Manager – Legal and Procurement
Mr A Cruickshank, Service Manager – IT Infrastructure
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

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr S Burden, KPMG LLP

Apologies:

None

Declarations of Interest:

None

The Convenor advised the meeting that there would be a change to the Agenda order and Item 17 would be taken after Item 7.

1. MINUTE OF THE AUDIT & GOVERNANCE COMMITTEE MEETING HELD ON 20 JANUARY 2015 FOR APPROVAL

The minute of the Committee's meeting on 20 January 2015 was approved.

2. DEVELOPMENT RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Development Risk Register for discussion, comment and noting.

The Service Manager – Corporate Policy, Paolo Vestri, presented the Risk Register inviting Members' to note the 15 High risks, 34 Medium risks and 10 Low risks, as outlined in the report.

Decision

The Committee agreed to note the Development Risk Register and, in doing so, 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 Development 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 Development 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 Development Local Risk Working Group (LRWG). The Head of Development has lead responsibility.

3. COMMUNITIES & PARTNERSHIPS RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Communities & Partnerships Risk Register for discussion, comment and noting.

Mr Vestri presented the report drawing Members' attention to the risks as outlined.

In response to questions from Members, the Head of Communities & Partnerships, Tom Shearer, confirmed that while the Scottish Government's Right to Buy Scheme would close in August 2016, the Council's 'pressurised area' status suspension would expire in March 2016. He advised Members' that a possible extension had been ruled out by the Scottish Government and that the Council would need to re-apply for a further suspension, at a significant cost. He stated that this cost had to be weighed against any potential risk of future Right to Buy applications. It was his opinion that based on the number of potential tenants, the risk was relatively low.

Mr Shearer also confirmed that some tenants in newly built Council properties would be eligible to access Right to Buy during the period March to August 2016.

In response to questions from the Convenor, Mr Shearer stated that there may be a small number of Council properties at risk of containing asbestos and it was right to include this in the Risk Register. He confirmed that where a property was taken over by a Housing Association, it would be the Association that was liable for any removal of asbestos.

Decision

The Committee agreed to note the Communities & Partnerships Risk Register and, in doing so, 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 Communities & Partnerships 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 Communities & Partnerships 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 Communities & Partnerships Local Risk Working Group (LRWG). The Head of Communities & Partnerships has lead responsibility.

4. COUNCIL RESOURCES RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Council Resources Risk Register for discussion, comment and noting.

Mr Vestri presented the report drawing Members' attention to the risks as outlined.

Councillor Currie raised questions over management of financial pressures, efficiency savings and monitoring of risk control measures. The Head of Council Resources, Jim Lamond, advised that as Chief Finance Officer he was confident that the budget approved in February 2015 properly took into account all of the information available at the time and was a competent and appropriate budget. However, he acknowledged that circumstances do change and control measures were in place to respond to such changes. There were opportunities at Cabinet and Council to monitor progress towards efficiency savings, and he saw no reason why this monitoring role could not be extended to the Audit & Governance Committee.

Decision

The Committee agreed to note the Council Resources Risk Register and, in doing so, 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 Council Resources 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 Council Resources 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 Council Resources Local Risk Working Group (LRWG). The Head of Council Resources has lead responsibility.

5. SCOTLAND'S PUBLIC FINANCES – ACCOUNTS COMMISSION REPORT

A report was submitted by the Depute Chief Executive (Resources and People Services) to provide the Committee with a summary of the Accounts Commission report, *'Scotland's Public Finances – A follow up audit: Progress in meeting the challenges'* and the Council's actions in relation to the report's key messages.

The Service Manager – Business Finance, Sarah Fortune, presented the report outlining the findings of the Accounts Commission report and the Council's approach to budget planning. She drew Members' attention to the Commission's recommendations on the use of benchmarking and options appraisal and the Council's longer term capital finances plans and five year approach to the Housing Revenue Account. She concluded that the report had identified room for improvement and the Council would take cognisance of the recommendations.

Responding to a question from Councillor Williamson, Ms Fortune advised that there were no plans at present for further Members' training; however she would consider scheduling a future event if it was thought appropriate.

Councillor Currie asked about the possibility of longer term budget-setting and reporting arrangements, and scrutiny of joint NHS and Council budgets linked to the Integrated Joint Board. Mr Lamond acknowledged the suggestion in the report of a move towards longer term budget-setting, for example, over five years rather than three. This approach could be very challenging but he agreed that, where possible, it was important to take a longer term view. He also accepted that there was scope for the Audit & Governance Committee to have a greater scrutiny role.

In relation to the Integrated Joint Board, Mr Lamond agreed that there would be very real challenges ahead in delivering outcomes and it would be important for officers and Members on the Board to try to influence some longer term priorities.

Councillor Goodfellow commented that it would be difficult for local authorities to work towards longer term budget strategies, such as five or ten years, when they could not be sure of their income from the Scottish Government beyond the next three years.

Councillor Currie agreed with Councillor Goodfellow's remarks, however, he said his concerns were reserved for the Integrated Joint Board. In particular, how longer term financial planning might address keys issues such as delayed discharges and how this Committee could become involved to ensure that robust scrutiny arrangements were in place.

Decision

The Committee agreed to note the Accounts commission report and the approach being taken to address future financial challenges.

6. COMMUNITY PLANNING: TURNING AMBITION INTO ACTION (AUDIT SCOTLAND, NOVEMBER 2014)

A report was submitted by the Depute Chief Executive (Resources and People Services) to review the findings and recommendations of the Audit Scotland report '*Community Planning: Turning ambition into action*' (November 2014).

Mr Vestri presented the report summarising the findings of the Audit Scotland update which assessed the progress of eight Community Planning Partnerships (CPPs) across Scotland against four key themes. He advised Members' that many of the findings and recommendations of the report were relevant to the East Lothian Partnership. The Improvement Plan approved by the Partnership following a recent self assessment exercise addressed these issues and would assist the Partnership in making further progress against key outcomes.

Decision

The Committee agreed to note the comments on progress being made by East Lothian Partnership to address the issues raised in the Audit Scotland report.

7. ANNUAL WORK PLAN 2014/15

The Annual Work Plan 2014/15 was presented to the Committee for noting. Mr Vestri advised Members that the Plan covered agenda items for the next two meetings and he would present the 2015/16 Work Plan to the Committee at its May meeting.

Councillor Currie expressed concern over the large number of agenda items for each meeting and the effect this had on the Committee's ability to properly scrutinise individual issues. He asked whether it might be possible to add an additional meeting of the Audit & Governance Committee to the Council's Committee Schedule for 2015/16. The Convenor said he would discuss this with officers.

Decision

The Committee agreed to note the contents of the annual work plan for 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 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

(a) Investigation – Purchase of the Site of the Former Bowling Club at Limeylands Road, Ormiston

The Depute Chief Executive (Resources and People Services) submitted a report informing the Committee of the findings from Internal Audit's investigative work on the purchase of the site of the former bowling club at Limeylands Road, Ormiston.

The Committee considered the report and accepted the findings that there had been no breach of the Council's Standing Orders or other processes but, following an amendment proposed by Councillor Currie and seconded by Councillor McAllister,

added a further recommendation that the purchase did not represent Best Value for the Council. The report, as amended, was approved by 4 votes to 3 with 1 abstention.

8. INTERNAL AUDIT REPORT – SELF DIRECTED SUPPORT

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

The Internal Audit Manager, Mala Garden, presented the report advising Members that the main objective of the audit was to ensure that the internal controls in place in respect of Self Directed Support were operating effectively. She outlined the main findings and confirmed that the recommendations had been accepted by Management.

In response to questions from Members, Ms Garden explained that as Self Directed Support was relatively new, she had agreed a longer than usual timescale for completion of the recommendations. She also confirmed that a traffic light risk assessment process was in place to allow officers to identify and address any high risk payments.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

9. INTERNAL AUDIT REPORT – TYNE ESK LEADER PROGRAMME

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

Ms Garden presented the report which had been included in the 2014/15 audit plan, at the request of the Scottish Government, following concerns about compliance with EU regulations. She summarised the main findings and action plan confirming that all of the recommendations had been accepted by Management.

Responding to questions from Members, Ms Garden confirmed that while all monies had been used for the purpose of the grants, payments had not always come from the applicant's bank account. However, this had been addressed and now only payments from an applicant's bank account would be reimbursed. She also advised that the requirement for bank statements had been tightened and that quotes were only required for expenditure over £1000 to show Best Value.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

10. INTERNAL AUDIT REPORT – PARTNERSHIP FUNDING

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

Ms Garden presented the report summarising the main findings of the audit. She outlined the recommendations contained in the Action Plan and advised Members that these had been accepted by Management.

Councillor Currie welcomed the recommendation that a consistent approach be adopted for the reporting of all grant awards. However, he urged officers to consider the timing of these awards and to make their decisions as soon as possible after the Council budget was approved. He also stressed the need to tailor the requirements of the application process to the size of the organisation: small groups with one or two members of staff could not be expected to provide the same volume and complexity of information as larger organisations.

Mr Shearer welcomed the audit report findings and recommendations. He said that previously awards had been dealt with by several different areas but they had now been pulled together under a One Council approach. However, he acknowledged Councillor Currie's remarks and advised that he was looking at benchmarking against other local authorities to identify options for best practice.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

11. INTERNAL AUDIT REPORT – KNOX ACADEMY

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

Ms Garden presented the report which had been undertaken as part of the 2014/15 audit plan. She summarised the main findings and action plan confirming that all of the recommendations had been agreed by Management.

Councillor Williamson congratulated Knox Academy on a positive report.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

12. INTERNAL AUDIT REPORT – MEMBERS' GIFTS AND HOSPITALITY

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

Ms Garden presented the report advising Members that the main objective of the audit was to ensure that adequate internal controls were in place and operating effectively. She outlined the main findings and confirmed that the recommendations had been accepted by Management.

The Service Manager – Licensing, Administration and Democratic Services, Kirstie MacNeill, responded to a question from Councillor Currie on Associated Committees. She confirmed that where Members' attend events related to their duties as a Councillor these did not need to be declared.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

Sederunt: Councillor Williamson left the meeting.

13. INTERNAL AUDIT REPORT – NON-DOMESTIC RATES

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Non-Domestic Rates.

Ms Garden presented the report summarising the main findings of the audit. She referred Members to the recommendations contained in the Action Plan, all of which had been agreed by Management.

Decision

The Committee agreed to note the contents of the Executive Summary and Action Plan.

14. INTERNAL AUDIT – FOLLOW-UP REPORTS

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, outlining recommendations that remained outstanding in two areas which had been the subject of previously issued audit reports. She advised Members that in both cases revised dates of completion had been agreed with Management.

Decision

The Committee agreed to note the findings of Internal Audit's follow-up work on Procurement – Scheme of Delegation and Pencaitland Primary School.

Sederunt: Councillor McMillan joined the meeting.

15. INTERNAL AUDIT PLAN 2015/16

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of Internal Audit's operational plan for 2015/16.

Ms Garden presented the annual audit plan advising Members that it had been prepared in accordance with Public Sector Internal Audit Standards (PSIAS) and taking account of factors such as the Council Plan, corporate and departmental risk registers and previous audit work. She outlined the main focus of the work, key factors to be considered and the importance of the plan given its contribution to the annual Controls Assurance Statement.

Responding to a question from Councillor Currie, Ms Garden confirmed that while neither Enjoy Leisure nor Musselburgh Joint Racing Committee had been included in the audit plan, there was no reason why they could not be added under "Special Projects" should the Committee request it.

Councillor Currie suggested that the Musselburgh Joint Racing Committee be added to the audit plan and the Committee members raised no objections.

Councillor Goodfellow asked for clarification of the types of audit work outlined in the report and where the report on the purchase of Ormiston Bowling Club came in this list. Ms Garden explained the main audit areas – Financial and Non Financial, Statutory, Best Value and Investigations – and confirmed that the report on the purchase of Ormiston Bowling Club came under the heading 'Investigations'.

Councillor Goodfellow raised a Point of Order citing a potential breach of Standing Orders. He questioned the competence of the amendment to the recommendations of the Ormiston Bowling Club investigation report, as the audit was not completed under the heading of Best Value. After consultation with the Clerk, the Convenor ruled that there had been no breach of Standing Orders.

Decision

The Committee agreed to approve the audit plan for 2015/16, as amended.

16. 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 which had been prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan.

Decision

The Committee agreed to note the contents of Internal Audit's progress report 2014/15.

Signed

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Councillor Kenny McLeod
Convenor of the Audit and Governance Committee