



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

**TUESDAY 20 JANUARY 2015
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor S Currie (Nominated Chair)
Councillor S Brown
Councillor J Caldwell
Councillor A Forrest
Councillor J Goodfellow
Councillor F McAllister

Other Councillors Present:

Councillor J McNeil (Items 1 – 8)

Council Officials Present:

Mrs A Leitch, Chief Executive
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 R Montgomery, Head of Infrastructure
Mr T Shearer, Head of Communities & Partnerships
Mr D Small, Director of Health & Social Care Partnership (HSCP)
Ms M Garden, Internal Audit Manager
Ms E Morrison, Service Manager – Customer Services
Mr I Dagleish, Service Manager – Transport
Mr A Cruickshank, Service Manager – IT Infrastructure
Mr G Stephen, Service Manager – IT Business Services
Ms C Lumsden, Transformation & Integration Manager, East Lothian HSCP
Mr S Allan, Senior Auditor
Mr A Strickland, Policy Officer
Mr S Kennedy, Emergency Planning & Risk Officer
Ms J McCabe, Senior Solicitor

Clerk:

Miss F Currie, Committees Assistant

Visitors Present:

Mr A Shaw, KPMG LLP
Ms S Burden, KPMG LLP

Apologies:

Councillor K McLeod (Convener)
Councillor J Williamson (Deputy Convener)

Declarations of Interest:

None

Due to the absence of both the Convener and Deputy Convener, the Members were required to appoint a chair for this meeting. Councillor Currie was approved as Chair.

1. MINUTE OF THE AUDIT & GOVERNANCE COMMITTEE MEETING ON 18 NOVEMBER 2014 FOR APPROVAL

The minute of the Audit & Governance Committee meeting on 18 November 2014 was presented for approval and the following matters arising were noted:

Adult Wellbeing Risk Register

The Director of the Health & Social Care Partnership, David Small, advised Members that the home care sector had experienced problems in the last week but action was being taken to ease the situation. A more detailed investigation would shortly take place and he agreed to report back to the Committee in due course.

Internal Audit Report – Records Management (Public Records (Scotland) Act 2011)

The Head of Council Resources, Jim Lamond, informed Members that the Keeper of the Records of Scotland had accepted the Council's records management plan. He welcomed this as a significant step although further improvement work remained to be done.

Decision

The Committee approved the minute of the meeting on 18 November 2014.

2. ELC AUDIT STRATEGY AND PLAN (KPMG)

KPMG submitted a report to the Committee outlining the audit strategy review and plan for 2014/15.

Director of KPMG LLP, Andrew Shaw, outlined the main focus of the audit drawing Members' attention to the areas of significant risk identified within the report. Sarah Burden, Manager KPMG LLP, summarised the governance and scrutiny arrangements and the timeline for the final audit report.

Responding to a question from the Chair, Mr Shaw agreed that efficiency savings were an important part of the finances and the Council's progress towards its targets would continue to be monitored within the wider audit plan. He also acknowledged the importance of understanding the impact of and any reasons for any underspend against budgets.

The Chief Executive, Angela Leitch, agreed that it was important that Services recognise where they might make efficiency savings in their budgets and strive to achieve them. She stated that, while the overall aim was always to deliver service

objectives and come in on budget, underspends in some areas were not always unwelcome and could rectify themselves in the longer term.

The Chair accepted that efficiency savings were necessary but, in his view, the money saved should then be reinvested in frontline services. He agreed that underspends could be a good thing but said it was important to understand why they happen and their impact on future budgets.

Decision

The Committee noted the report.

3. INFRASTRUCTURE RISK REGISTER

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

The Emergency Planning and Risk Officer, Scott Kennedy, presented the report drawing Members' attention to the standard matrix used to evaluate risk and to the Register which outlined 6 'High', 27 'Medium' and 13 'Low' risks for Infrastructure.

In response to questions from the Chair on the burial strategy and the decriminalisation of parking, the Head of Infrastructure, Ray Montgomery, confirmed that pressures remain in some areas of the county regarding availability of burial plots and a number of possible solutions were currently being considered. He indicated that a report would be brought to Cabinet in the near future. Mr Montgomery also advised that an external consultation was currently underway on the decriminalisation of parking and the Council would shortly begin preparing a business case for the Scottish Government.

Councillor Goodfellow queried references to the former Carberry Landfill site. Mr Montgomery confirmed that the site was subject to SEPA waste management licence conditions. The level of gases and lichen on the site were continually monitored and the Council would take any action necessary to keep these within approved SEPA limits.

Responding to questions from Councillor McAllister, Mr Montgomery advised that following a change in legislation the police were no longer responsible for providing parking wardens and this decision was unlikely to be revisited. It was now up to individual local authorities to manage matters within their own areas. On the issue of street lighting, Mr Montgomery acknowledged that the new LED lighting was much less diffuse than the old street lights but that it met the statutory requirements for lighting of carriageways and footpaths.

Decision

The Committee agreed to note the Infrastructure 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 Infrastructure 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 Infrastructure 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 Infrastructure Local Risk Working Group (LRWG). The Head of Infrastructure has lead responsibility.

4. RISK MANAGEMENT STRATEGY

A report was submitted by the Chief Executive advising the Committee of the revised and updated Risk Management Strategy.

Mr Kennedy presented the report advising Members that the Strategy provided a comprehensive framework for assessing and managing risk and had last been reviewed and approved by the Audit & Governance Committee in November 2012. The Risk Management Group had recently undertaken a further review and had made some minor amendments to take account of existing practice.

The Chair said that it was important that all elected Members understood their role in the process and how risk assessments are undertaken. Mr Kennedy indicated that plans were underway to hold a workshop for Members on Risk Registers, the work of Risk Management Group and wider risk assessment and analysis.

Councillor McNeil asked that this workshop be available to all elected Members rather than only those on the Audit & Governance Committee.

Mrs Leitch welcomed this suggestion and reiterated the importance of the risk assessment process in feeding into Business Continuity, Plans and Service Plans throughout the Council.

Decision

The Committee agreed to approve the Risk Management Strategy January 2015 and to note that this is a live document which will be reviewed by the Corporate Risk Management Group.

5. HEALTH & SOCIAL CARE INTEGRATION: EAST LOTHIAN INTEGRATION SCHEME – CONSULTATION DRAFT

A report was submitted by the Director of the Health & Social Care Partnership inviting the Committee to review and consider the consultation draft Integration Scheme required to establish the East Lothian Integration Joint Board (IJB).

The Senior Solicitor, Joanne McCabe, presented the report advising Members that the consultation draft of the Integration Scheme was approved for consultation by NHS Lothian and the Council in December 2014. The consultation would close on 17 February 2015. She summarised the contents of the Integration Scheme including the issues of governance, operational arrangements and financial risk sharing.

Councillor Goodfellow asked for clarification on claims handling and indemnity arrangements and the level of risk involved for the Council. Ms McCabe confirmed that discussions were currently ongoing with the Scottish Government regarding

financial risk sharing and it was likely that the IJB would adopt the common law position.

The Chair raised the issues of shared scrutiny and finance arrangements, perceived efficiency savings and whether the potential benefits of such savings would be reflected in future budgets. Mr Small confirmed that scrutiny arrangements would be shared between the Committee and the IJB but these would be kept under review and would likely evolve over time. Both NHS Lothian and the Council would retain budget-setting responsibilities for the present and arrangements for resource transfers and the impact or benefits or any efficiency savings would be agreed between both parties, with input on 'set aside' budgets from the Scottish Government.

Mrs Leitch acknowledged the important role of the Audit & Governance Committee in monitoring delivery of the Council's Single Outcome Agreement and in the IJB's delivery of health and community planning objectives. She expected self assessment tools to help tie in the two sides and over time the process would become more about outcomes rather than individual responsibilities.

Decision

The Committee agreed:

- (i) that the summary of their discussion should be submitted as their contribution to the consultation process; and
- (ii) to consider any implications of the proposed Integration Scheme for the role of the Audit & Governance Committee.

6. RESHAPING CARE FOR OLDER PEOPLE (AUDIT SCOTLAND, FEBRUARY 2014)

A report was submitted by the Joint Director, Health and Social Care to the Committee providing a summary of the Audit Scotland report "*Reshaping Care for Older People*" and the actions being taken by the Council and partners in response to the report's recommendations.

The Transformation & Integration Manager, Carol Lumsden, presented the report showing progress against the Scottish Government and CoSLA's complex 10 year change program primarily aimed at keeping people in their homes and reducing the amount spent on institutional care. She noted that, overall, progress had been slow and that results varied between local authority areas. She highlighted some of the results for East Lothian as well as the actions taking place to address these and other issues.

In response to questions from the Chair, Mr Small indicated that funding was only one aspect of this multifaceted issue and the focus needed to be on improving the range and availability of services both for people living in their own homes and for those leaving institutional care. He said that only by improving the level of care on the ground could they aim to move away from reliance on acute hospital beds and towards a prevention-based service.

Responding to comments from Councillor McAllister, Ms Lumsden acknowledged that an aging population, with the addition of levels of deprivation within certain areas of the county, would have a significant impact on future services. It was therefore

essential that they shape and plan their services to deal with this and, in particular, to develop preventative care over the longer term.

The Chair noted that a report on delayed discharges was due to be presented at the next meeting of the Policy & Performance Review Committee. He commented that the public in East Lothian would be looking for a rapid improvement in this area.

Decision

The Committee agreed to note the Audit Scotland report and the actions that East Lothian Council and partners are taking in response to this.

7. ANNUAL WORK PLAN 2014/15

The Annual Work Plan was presented to the Committee for noting.

In response to a question from Councillor Goodfellow, Mr Lamond confirmed that the Audit Scotland report '*Overview of Scottish Local Government*' would, as in previous years, cover issues including financial pressures and good governance.

Decision

The Committee agreed to note the contents of the Annual Work Plan 2014/15.

8. PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

A report was submitted by the Depute Chief Executive (Resources and People Services) to the Committee providing an overview of the requirements of the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Manager, Mala Garden, presented the report highlighting the summary of the key points of the PSIAS and the results of the self assessment carried out by Internal Audit. She also drew Members' attention to the action plan drawn up to address areas of non-conformance with PSIAS.

Decision

The Committee agreed to note the contents of the report.

9. DRAFT INTERNAL AUDIT CHARTER

A report was submitted by the Depute Chief Executive (Resources and People Services) inviting the Committee to note the Council's Draft Internal Audit Charter.

Ms Garden presented the report advising Members that the draft Audit Charter had been drawn up in line with the requirements of the PSIAS. The Charter was a formal document that defined the Internal Audit activity's purpose, authority and responsibility. She confirmed that Internal Audit required the authority of full Council to access all records, assets, personnel and premises and that a further report would be presented to this Committee once the authority had been agreed.

Decision

The Committee agreed to note the Draft Internal Audit Charter.

10. INTERNAL AUDIT REPORT – FLEET MANAGEMENT

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

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.

The Chair expressed concern about the two occasions noted when Council vehicles which were no longer fit for purpose had been sold to an employee and a contractor rather than being sent to auction. He asked for assurances that this practice would be stopped and that procedures would be put in place to ensure that it could not happen in future.

Ms Garden said that the audit had shown that there were no clear procedures in place for disposing of vehicles which were no longer fit for purpose, and had recommended that this be addressed. She said that Internal Audit's preference would be that all such vehicles were sold at auction or to a scrap merchant.

Mr Montgomery explained that the standard practice was to send old vehicles to auction but that on a couple of occasions where vehicles were no longer roadworthy they had been offered to staff and the price paid was comparable to what might have been achieved at auction or from a scrap merchant. However, he acknowledged that clear procedures needed to be in place and he had agreed a way forward with Ms Garden. He also confirmed that the practice of selling vehicles to staff had stopped.

The Chair asked whether it would be possible to prevent members of staff from bidding on ex-Council vehicles at auction. However, Councillors Goodfellow and Caldwell cautioned against this approach as it would be unfair to preclude employees from bidding at an open auction.

The Chair acknowledged these comments and suggested that new procedures be drawn up and brought back to the Committee as part of a follow-up report. Members could then consider whether their concerns had been adequately addressed.

Decision

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

11. INTERNAL AUDIT REPORT – PERFORMANCE INDICATORS 2013/14

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Performance Indicators 2013/14.

Ms Garden presented the report to Members indicating that Internal Audit had reviewed the systems in place for the preparation and reporting of performance information, with particular focus on the Local Government Benchmarking Framework (LGBF) indicators. She outlined the main findings highlighting the areas where expected controls were met and those with scope for improvement.

Decision

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

12. INTERNAL AUDIT REPORT – CASH HANDLING AND BANKING

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

Ms Garden presented the report outlining the main findings and stated that the objective of the audit was to ensure that adequate internal controls were in place covering Cash Handling and Banking at the Council's local area offices. She outlined briefly the areas where expected controls were met and those with scope for improvement, as well as drawing Members' attention to the action plan agreed with Management.

The Head of Communities and Partnerships, Tom Shearer, confirmed that the recommendations for action had been agreed and that the changes which had been put in place would not only assist staff but also provide an improved service for customers.

Decision

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

13. INTERNAL AUDIT REPORT – IT DISASTER RECOVERY & BUSINESS CONTINUITY

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on IT Disaster Recovery and Business Continuity.

Ms Garden presented the report advising Members that the main objective of the audit was to ensure that the Council has appropriate arrangements in place. She summarised the main findings and confirmed that the recommendations in the action plan had been agreed by Management.

Councillor Goodfellow queried the wording and grade of risk applied to two of the recommendations. Ms Garden said she was satisfied that restoration work was taking place and the recommendation related only to the timetabling of that work.

The Service Manager – IT Infrastructure, Alan Cruickshank, explained the arrangements in place for back up and verification of each part of the system. Mr Lamond advised Members that he had absolute confidence in the officers, the

processes in place and the proposed improvements that would ensure business continuity.

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, prepared as part of the audit plan for 2014/15, which identified recommendations outstanding in two of the three 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 Gifts and Hospitality Policy, Payments to Scottish Water and Trading Operations.

15. 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.

The Chair thanked Ms Garden and her staff for their hard work which was greatly appreciated by all members of the Committee.

Decision

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

Signed

Councillor Stuart Currie
Nominated Chair of the Audit and Governance Committee