



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

**TUESDAY 15 SEPTEMBER 2015
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor K McLeod (Convener)
Councillor S Brown
Councillor J Caldwell
Councillor J Goodfellow
Councillor F McAllister
Councillor J Williamson

Council Officials Present:

Mr A McCrorie, Depute Chief Executive - Resources and People Services
Ms M Patterson Depute Chief Executive - Partnerships and Community Services
Mr R Montgomery, Head of Infrastructure
Mr J Lamond, Head of Council Resources
Mr D Nightingale, Head of Education (Item 7)
Mr P Vestri, Service Manager – Corporate Policy and Improvement
Ms S Fortune, Service Manager – Business Finance
Mr R Parker Service Manager – Education (Item 7)
Mr M Murphy, Senior Operational Manager (item 5)
Mr R Campbell, Service Improvement Officer (Item 6)
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor

Clerk:

Ms A Smith

Visitors Present:

Mr A Shaw, KPMG
Ms S Burden, KPMG

Apologies:

Councillor S Currie
Councillor A Forrest

Declarations of Interest:

None

1. MINUTE OF THE AUDIT & GOVERNANCE COMMITTEE MEETING HELD ON 23 JUNE 2015 FOR APPROVAL

The minute of the Committee's meeting on 23 June 2015 was approved.

2. DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF EAST LoTHIAN COUNCIL (KPMG)

A draft report was submitted by KPMG summarising its opinion and conclusions on significant issues arising from the annual audit.

KPMG Director, Andy Shaw, presented the report, summarising the key features of the audit and drawing Members' attention to the audit conclusions, significant risks and areas of audit focus. He stated that in KPMG's opinion the Council had progressed well in managing the challenges facing local authorities. The Council had reported a statutory surplus of £9.3 million in 2014-15. He informed the Committee that there were no significant control reports. He drew attention to the Action Plan, which contained 3 minor findings.

Mr Shaw responded to questions from Members. He clarified that the £3.5 million transfer enabled capital to be funded for revenue; the contribution to reserves was welcomed overall. Regarding pensions liability, he advised that this reflected the position across the market regarding funding of the scheme; there was an element of pressure for all local authorities.

Responding to the Convener regarding workforce management plans, Jim Lamond, Head of Council Resources, advised that there was a programme of activity set out in efficient workforce planning, this piece of work continued and featured in budgetary and financial planning.

In response to questions about managing bad debt provision, Mr Shaw clarified that in previous years reports had indicated that the Council's methodology in this regard had been prudent. Mr Lamond confirmed that the Council had reviewed its methodology, the Finance team was in agreement with KPMG that the previous approach had perhaps been overly cautious; a new approach had now been adopted.

The Convener thanked KPMG and the Council's Finance team.

Decision

The Committee agreed to note the contents of the report.

3. STATUTORY PERFORMANCE INDICATORS (KPMG)

A report was submitted by KPMG outlining the findings of the review of East Lothian Council's approach to Statutory Performance Indicators (SPIs).

KPMG Manager, Sarah Burden, presented the report, outlining KPMG's audit approach, which had involved a review of policies and procedures in operation at the Council as well as information gathering in respect of SPI monitoring and reporting. This report had been structured to answer specific questions identified in the stage

one pro-forma from Audit Scotland and focused on two key areas; planning arrangements and systems assessment. She informed Members that no recommendations had been raised; the arrangements the Council had in place were adequate. The report would now go forward to Audit Scotland.

Decision

The Committee agreed to note the contents of the report.

4. EAST LOTHIAN COUNCIL ANNUAL ACCOUNTS 2014-15 (AUDITED)

A report was presented by the Depute Chief Executive, Resources and People Services, providing the Committee with the audited 2014-15 annual accounts.

Mr Lamond presented the report. He reminded Members that the draft 2014-15 annual accounts had been presented to the Committee on 23 June and had been submitted for audit on 26 June. Members had been issued with a copy of the full detailed annual accounts. He indicated that KPMG had confirmed that they intended to issue an unqualified audit opinion.

In response to a question from Councillor Goodfellow, Mr Lamond clarified that KPMG's full report would now go forward to Council.

Decision

The Committee agreed to:

- note the 2014-15 audited final accounts, taking into consideration the External Auditors Annual Audit report; and
- note the intention to submit the audited final accounts in accordance with the statutory timetable.

5. ADULT WELLBEING RISK REGISTER

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

The Service Manager for Corporate Policy and Improvement, Paolo Vestri, presented the report. He advised Members that the Adult Wellbeing Local Risk Working Group had compiled the risk register. He drew attention to the risk matrix used for evaluating the risks and also to the Council's response in relation to adverse risk. He reported that the current Adult Wellbeing Risk Register included 1 very high risk, 6 high risks and 6 medium risks. A copy of the risk matrix used to calculate the level of risk was attached at Appendix 2.

The Senior Operational Manager for Adult Wellbeing, Michael Murphy, responded to questions from Members. Councillor McAllister queried total care home bed capacity in East Lothian. Mr Murphy replied that he did not have the figures to hand but would check and respond. Regarding questions about the third sector, Mr Murphy advised that work was ongoing in preparing a framework for a structured way forward; he added that from a service area viewpoint there was strong recognition of the value of services these organisations provided. In response to further questions about vacant

land and potential usage, the Depute Chief Executive, Alex McCrorie, stated this would be taken off-line for response.

Responding to questions from the Convener regarding re-tendering for the Help to Live at Home framework, Mr Murphy stated the current contract expired in 2017; work and discussions regarding the re-tender were ongoing. The Convener also asked about new initiatives. Mr Murphy advised that the service was trying to enhance the ability of the independent sector to provide services and also to provide these on a more local basis; to co-ordinate more effectively. There was also more work being carried out with the NHS to match different work and different agencies.

In relation to the situation regarding care home beds, raised by Councillor Caldwell, Mr Murphy indicated that there were pressures on the system; he would check the exact position and respond.

Councillor Brown asked about the potential impact of the living wage; Mr Murphy advised that this would increase the costs of provision; the key question would be the impact on the budget of that increase.

Mr Murphy added that he could arrange a separate briefing for Members if desired.

Decision

The Committee agreed to note the Adult Wellbeing Risk Register and, in doing so, that:

- the relevant risks had been identified and the significance of each risk was appropriate to the current nature of the risk;
- the total profile of the Adult Wellbeing risk could be borne by the Council at this time in relation to the Council's appetite for risk;
- although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for Adult Wellbeing and were likely to be a feature of the risk register over a number of years.

6. CHILDREN'S WELLBEING RISK REGISTER

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

Mr Vestri presented the report, advising that the risk register had been compiled by the Children's Wellbeing Local Risk Working Group. The current Children's Wellbeing Risk Register included 4 high risks, 1 medium risk and 1 low risk. A copy of the risk matrix was attached at Appendix 2.

The Convener thanked officers for this comprehensive report, which provided a detailed breakdown and explanation of control measures and potential impacts.

Decision

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

- the relevant risks had been identified and the significance of each risk was appropriate to the current nature of the risk;
- the total profile of the Children's Wellbeing risk could be borne by the Council at this time in relation to the Council's appetite for risk; and
- although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for Children's Wellbeing and were likely to be a feature of the risk register over a number of years.

7. EDUCATION RISK REGISTER

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

Mr Vestri presented the report. He advised Members that the Education Local Risk Working Group had compiled the risk register. The current Education Risk Register included 5 high risks, 6 medium risk and 2 low risks. Appendix 2 contained the risk matrix.

Decision

The Committee agreed to note the Education Risk Register and, in doing so, that:

- the relevant risks had been identified and the significance of each risk was appropriate to the current nature of the risk;
- the total profile of the Education risk could be borne by the Council at this time in relation to the Council's appetite for risk; and
- although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for Education and were likely to be a feature of the risk register over a number of years.

8. ANNUAL WORK PLAN 2015/16

Mr Vestri presented the Annual Work Plan 2015/16 to the Committee inviting them to note the reports proposed for future meetings and to suggest any additional items that they may wish to add to the plan.

Decision

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

9. INTERNAL AUDIT REPORT – FUEL MANAGEMENT

A report was submitted by the Depute Chief Executive, Resources and People Services, to inform the Committee of the recently issued audit report on Fuel Management.

The Internal Audit Manager, Mala Garden, presented the report, summarising the main findings and Action Plan. She confirmed that all of the recommendations had been accepted by Management.

In response to questions from Members about monitoring fuel usage, the Head of Infrastructure, Ray Montgomery, gave details of the current situation regarding fuel cards and also the operation of local garage accounts. Ms Garden responded to a question about addressing the issue of fuel consumption. She referred to the improvement actions, advising that the correct information was not currently being provided; there was also an issue about monitoring, in that reports were not going to the correct service area.

Mr Montgomery responded to questions from Councillor Brown about tracking vehicles for mileage checking purposes. He confirmed that vehicles were tracked but highlighted some difficulties in relation to checking mileage. He stressed that the correct procedure had to be implemented for employees. He made reference to the many different types of fuel cards, adding that not all garages accepted every card. He also referred to the various recommendations that had to be taken forward.

Councillor Williamson referred to the lengthy list of recommendations detailed in the Action Plan and welcomed that all the recommendations had been accepted by management and that actions proposed would be implemented.

Decision

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

10. INTERNAL AUDIT REPORT – EXCEPTIONAL NEEDS FUNDING

A report was submitted by the Depute Chief Executive, Resources and People Services, informing the Committee of the recently issued audit report on Exceptional Needs Funding.

Ms Garden presented the report, which had been undertaken as part of the 2015/16 audit plan. She summarised the main findings and Action Plan, confirming that all of the recommendations had been accepted by Management.

In response to questions regarding Cluster Moderation Panels, Ms Garden advised Members that administering exceptional needs funding was a 2 stage process. Stage 1 was the Cluster Moderation Panels, which assessed individual pupils' eligibility; stage 2 was the Authority Moderation Panel, which dealt with the allocation of funding. She reiterated that management had agreed all recommendations.

Decision

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

11. INTERNAL AUDIT REPORT – FISHERIES LOCAL ACTION GROUP (FLAG)

A report was submitted by the Depute Chief Executive, Resources and People Services, informing the Committee of the recently issued audit report on the Fisheries Local Action Group (FLAG).

Ms Garden presented the report, outlining the background in relation to the European Fisheries Fund (EFF), the creation of Fisheries Local Action Groups (FLAG) and the

requirements for accessing funds. She drew attention to the main findings and the Action Plan. She reported that the review of the internal controls surrounding the FLAG Programme had identified areas with scope for improvement. She advised Members that the Council would not be administering the 2015-2020 FLAG Programme, however to ensure compliance with the EFF Axis 4 guidance and the Council's obligations under the Service Level Agreement in place, management should ensure that the weaknesses identified from Internal Audit's review were fully addressed. The sole recommendation had been agreed by management.

Ms Garden responded to questions. Musselburgh Members queried why Fisherrow had not been included in the FLAG programme. Ms Garden advised that there were specific areas allocated to this programme, with specific criteria for inclusion of fishing communities and fishing activities. Referring to areas with scope for improvement, Members welcomed that issues regarding the tendering process would be addressed.

Decision

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

12. INTERNAL AUDIT PROGRESS REPORT 2015/16

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 2015/16.

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 Convener welcomed this report, which gave Members an overview of the work carried out by Internal Audit.

Councillor McAllister commented on the range and depth of areas to be looked at in the various audit reports due to come forward.

Decision

The Committee agreed to note the contents of Internal Audit's progress report 2015/16.

Signed

Councillor Kenny McLeod
Convener of the Audit and Governance Committee