



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

**TUESDAY 1 DECEMBER 2015
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

Council Officials Present:

Mr A McCrorie, Depute Chief Executive - Resources and People Services
Ms M Patterson, Depute Chief Executive – Communities and Partnerships
Mr J Lamond, Head of Council Resources
Mr R Montgomery, Head of Infrastructure
Mr T Reid, Service Manager - Waste
Mr P Vestri, Service Manager – Corporate Policy and Improvement
Ms L Shaw, Corporate Finance Manager
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr L Ritchie, Payroll Manager
Mr H Mark, Debt Management & Business Rates Team Leader
Mr E John, Service Manager – Sport, Countryside & Leisure
Mr B Axon, General Manager – enjoyleisure
Ms J McCartney, Financial Controller - enjoyleisure

Clerk:

Ms F Currie

Apologies:

None

Declarations of Interest:

None

1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING HELD ON 15 SEPTEMBER 2015 FOR APPROVAL

The minutes of the Committee's meeting on 15 September 2015 were approved.

2. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW 2015/16

A report was submitted by the Depute Chief Executive – Resources and People Services to update the Committee on Treasury Management activity during the first half of 2015/16.

Liz Shaw, Corporate Finance Manager, presented the report which covered the period to 30 September 2015. She summarised the contents, drawing Members' attention to the key themes and overall financial position and she invited comments on the level of detail required for future reports.

In response to questions from Councillor Currie, Ms Shaw confirmed that, despite the current favourable interest rates, to bring forward borrowing for capital projects would result in additional costs as the borrowing would be over a longer period.

Jim Lamond, Head of Council Resources, concurred pointing out that borrowing earlier had its own element of risk and the interest rate would have to be quite preferential to make it worthwhile also adding that there were constraints about borrowing in advance of need. He said that the Council was currently in a position of under borrowing drawing instead from cash reserves and, if market rates were likely to go up, he would wish to address this first before considering any additional borrowing. He added that managing cash flows through short-term borrowing at existing lower rates currently resulted in better value for the Council but he agreed to consider Councillor Currie's point and provide a response.

Ms Shaw agreed to provide additional information to Councillor Caldwell on the Common Good Committees portfolio. She also responded to questions from the Convenor, clarifying the wording in the report and confirming that the Council was at liberty to refuse the financial advice provided by CAPITA should it wish to do so.

Decision

The Committee agreed to note the contents of the report.

3. ENJOYLEISURE ANNUAL PERFORMANCE REPORT

A report was submitted by enjoyleisure to provide the Committee with a summary of performance since September 2013.

The General Manager of enjoyleisure, Bill Axon, presented the report and drew Members' attention to the planned renovation of Dunbar Leisure Pool.

Jennifer McCartney, Financial Controller at enjoyleisure, responded to a number of questions relating to figures for profit and loss and cash reserves, the level of management fee paid by the Council and the use of cash reserves rather than

borrowing to fund capital works. Mr Lamond added that the Council did not have the option to on-lend to other bodies, such as enjoyleisure.

Members raised questions on other issues and Mr Axon provided responses in relation to whether the free swim programme had delivered benefits for communities, how enjoyleisure had managed to compete against the private sector and increase its membership numbers during the economic downturn and increasing access to facilities and activities for disabled users.

Councillor Currie commented on the importance of receiving this report from enjoyleisure. He referred to the role of the Audit & Governance Committee in considering the level of the management fee paid by the Council and the effect of any reduction in funding on the organisation's ability to continue investing in facilities and competing against the private sector.

Mr Axon accepted the comments and advised Members that, in future, more information would be made available to Councillors to inform budget-setting.

Decision

The Committee agreed to note the contents of the report.

4. ANNUAL WORK PLAN 2015/16

The Annual Work Plan 2015/16 was submitted to the Committee for information.

Paolo Vestri, Service Manager – Corporate Policy and Improvement, presented the Work Plan inviting them to note the reports proposed for future meetings. Referring to the Audit Scotland reports scheduled for the March meeting, he advised Members that the timing of these would be dependent on their publication dates.

In response to questions from Members, Mala Garden, Internal Audit Manager, confirmed that the timing of the Internal Audit report on Universal Credit, scheduled for presentation at the March meeting, could be changed if required.

Mr Lamond advised members that a report on Universal Credit, focussing on the work of the Welfare Reform Taskforce would be presented to the January Cabinet meeting. Mr Vestri added that a report on this issue would also be presented to the Policy and Performance Review Committee in the New Year.

Decision

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

5. INTERNAL AUDIT REPORT – MUSSELBURGH BURGH PRIMARY SCHOOL

A report was submitted by the Depute Chief Executive, Resources and People Services, to inform the Committee of the recently issued audit report on Musselburgh Burgh Primary School.

Ms 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 a question from the Convenor, Ms Garden advised that HMRC guidance required that purchase card transactions should be supported by valid VAT receipts when claiming input VAT.

Councillor Currie welcomed the inclusion of early dates for completion of the Action Plan and commented that staff turnover within schools may have had an impact on the signatories not being up to date.

Decision

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

6. INTERNAL AUDIT REPORT – WASTE 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 Waste Management.

Ms Garden presented the report, advising Members of the main purpose and scope of the audit and outlining the findings and Action Plan.

Members raised a number of questions around the grading and completion times for recommendations in the Action Plan, procurement procedures and how to ensure that the service was meeting its targets.

Ms Garden explained that where recommendations were graded 'high' it was expected that these would be completed within three months and that one of the recommendations within the Action Plan had yet to be agreed by Management. Referring to the targets for reducing waste going to Landfill, she said that a written policy should be put in place and should form part of the Council Plan.

Ray Montgomery, Head of Infrastructure, said that the service had been very busy operationally but he agreed to take forward work on the policy.

Mr Lamond advised that formal procurement procedures would be required for any tender with a value of £5000 or more. Mr Montgomery added that the next tendering process would take place in early 2016.

Councillor McAllister commended the high quality work carried out by the service and said he had no concerns about the gaps in paperwork.

Councillor Williamson made a general comment about the findings contained in some of the audit reports. He queried the number of areas with scope for improvement and whether self-assessment by managers, prior to the formal audit, may help to reduce these. Ms Garden stated that Waste Management had not previously been reviewed by Internal Audit, and there tended to be more issues to pick up during a first audit. With reference to the audit of bad debts Ms Garden stated that bad debts had previously been reviewed as part of a Sundry Debtors audit.

Decision

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

7. INTERNAL AUDIT REPORT – TRAVEL AND SUBSISTENCE

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

Ms Garden presented the report, summarising the areas where controls were met, those with scope for improvement and the recommendations contained in the Action Plan, all of which had been approved by Management.

In response to questions from Members, Ms Garden said that a list of authorised signatories should be maintained by Payroll and in respect of business travel stated that arrangements were in place to ensure that all staff using their own vehicles for business travel had the appropriate documentation and insurance.

Les Ritchie, Payroll Manager, confirmed that these issues were covered by the Safe Driving At Work policy.

Decision

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

8. INTERNAL AUDIT REPORT – BAD DEBT WRITE-OFFS

A report was submitted by the Depute Chief Executive, Resources and People Services, to inform the Committee of the recently issued audit report on Bad Debt Write-offs.

Ms Garden presented the report, advising Members that the audit had been carried out as part of the 2015/16 audit plan and its main objective was to ensure that the internal controls were operating effectively. She summarised the findings and the recommendations contained in the Action Plan.

Members raised a number of questions around the number and timing for completion of recommendations, further reporting to Members, the type of debts, the period during which they could be pursued and how the Council intended to address this issue and the impact of welfare reforms.

Mr Lamond acknowledged that the poor record keeping and inconsistent practices were of concern but gave assurances that these would be addressed and that officers would lodge any outstanding reports as soon as possible.

Stuart Allan, Senior Auditor, provided further information on the number and type of debts and Ms Garden confirmed that a private report containing a breakdown of bad debt write-offs would be made available through the Members' Library Service.

Harry Mark, Debt Management & Business Rates Team Leader, explained that debtors could be pursued for up to five years but this extended to twenty years for Council Tax and business rates debts and, in all cases, the limits were taken from the date of last contact by the debtor. He confirmed that arrangements could be made to arrest earnings, including welfare benefits, and that the Council was working on providing additional information and help to people in serious arrears.

Mr Lamond added that, based on figures from areas where changes had already been made, he expected the level of bad debt to rise following the introduction of welfare reforms.

Decision

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

9. 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 the findings and drawing Members' attention to the fact that, out of four reports, there was only one recommendation for action still outstanding.

Councillor Currie commended the report as showing very positive progress and he thanked Ms Garden and her team for their diligence.

Decision

The Committee agreed to note the findings of Internal Audit's follow-up work on Records Management (Public Records (Scotland) Act 2011), Cash Handling and Banking, Knox Academy and Members' Gifts and Hospitality.

10. 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.

In response to a question from Councillor McAllister, Ms Garden confirmed that external auditors, KPMG, review all of the reports from Internal Audit. Mr Lamond added that KPMG had always given a positive opinion of Internal Audit's work as part of their Annual Report to the Council.

Councillor Currie said that the report showed the impressive amount of work being undertaken by Internal Audit and that this should give Members a huge amount of reassurance. He suggested that a report on this work be included in the Cabinet work plan.

Decision

The Committee agreed to note the contents of the Internal Audit Progress Report 2015/16.

Signed

Councillor Kenny McLeod
Convener of the Audit and Governance Committee