



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

**TUESDAY 19 JANUARY 2016
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

Other Councillors Present:

Councillor J McMillan

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 Shearer, Head of Communities & Partnerships
Ms S Saunders, Head of Children's Wellbeing
Mr P Vestri, Service Manager – Corporate Policy and Improvement
Ms S Fortune, Service Manager – Business Finance
Mr S Pryde, Principal Amenity Officer
Mr S Kennedy, Emergency Planning and Risk Officer
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor

Visitors Present:

Mr A Shaw, KPMG LLP
Ms L Nelson, KPMG LLP

Clerk:

Ms F Currie

Apologies:

None

Declarations of Interest:

None

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

The minutes of the Committee's meeting on 1 December 2015 were approved.

2. ELC AUDIT STRATEGY REVIEW AND PLAN

A report was submitted by KPMG to update the Committee on the 2015-16 audit Strategy review and plan.

Andy Shaw, Engagement Director, and Laura Nelson, Audit-in-Charge, presented the report outlining the scope and purpose of the audit, the significant risks and other focus areas, the audit approach and the timeline and reporting arrangements.

In response to questions from Members, Mr Shaw confirmed that the annual audit report would contain KPMG's opinion on the truth and fairness of the financial position as set out by the Council and that this would include a view on the length of the capital plan. He also clarified the risks and liabilities in relation to the pension fund.

Jim Lamond, Head of Council Resources, responded to a question from Councillor Brown on the forecast capital underspend of £2.4m in 2015/16 and slippage of £2m to be carried into 2016/17.

Councillor John McMillan raised questions around best value, sustainability of Scottish Government funding and the effect on the Council's ability to meet its statutory duties. Mr Shaw indicated that the audit looks at the financial sustainability of the Council and, if the forecast showed a significant deficit, the auditors would then look to factors including Scottish Government funding. He stated that if the Council appeared likely to breach its statutory responsibilities this would be brought to the attention of the Committee, the Council and the Scottish Government. However, Mr Shaw said that he was not aware of any occasion when the Council had failed to achieve its statutory duties.

Decision

The Committee agreed to note the contents of the report.

3. INFRASTRUCTURE RISK REGISTER

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

Scott Kennedy, Emergency Planning and Risk Officer, presented the report drawing Members' attention to the standard matrix used to evaluate risk and to the Register which included 6 'high', 25 'medium' and 12 'low' risks. He explained that the document presented to the Committee detailed only the 'medium' and 'high' risks, as the low risks were already being successfully managed.

Stuart Pryde, Principal Amenity Officer, responded to a number of questions from Members on the issue of burial headstones. He advised that a rolling programme of inspections and remedial work was already underway to make safe many of the older

headstones. This work would continue over the next 4 – 5 years and, in the meantime, it was felt that the risk was at a manageable level. Mr Pryde explained that, for future sites, new headstones would include a reinforced slab but it was not possible to do this for older burial sites due to their topography. He confirmed that financial contributions were sought from families where replacement headstones were requested and clarified the arrangements in place for the upkeep of older churchyards. He also confirmed that a charge was now levied for new headstones and the money used to fund the work on older stones.

In response to questions from Councillor McAllister, Mr Pryde advised that the responsibility for the maintenance of Fisherrow Harbour lay with the Musselburgh Common Good Committee and that a survey was being undertaken to identify what work required to be done on the structures. The timing and cost of this work would be a matter for the Common Good Committee.

Decision

The Committee agreed to note the report and, in doing so, note 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.

4. 2015/16 COUNCIL IMPROVEMENT PLAN MONITORING REPORT

A report was submitted by the Depute Chief Executive – Resources and People Services to present to the Committee the 2015/16 Council Improvement Plan six-month monitoring report.

Paolo Vestri, Service Manager – Corporate Policy and Improvement, presented the report outlining progress made in completed the eight actions in the Improvement Plan since the Plan was adopted in August 2015. He advised Members that the outstanding actions would be completed by March 2016.

Decision

The Committee agreed to note the progress in achieving the Council Improvement Plan as detailed in the monitoring report.

5. ANNUAL WORK PLAN 2015/16

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

Mr Vestri presented the work plan inviting Members to note the reports proposed for future meetings.

In response to a question from Councillor Currie, Mr Vestri confirmed that the Audit Scotland report on Health & Social Care had been published and would be presented

to the next meeting of the Committee. However, there were no plans for any further reports on Health & Social Care to be added to the work plan. Mr Lamond added that issues relating to scrutiny of Health & Social Care budgets would be a matter for the Integration Joint Board's Audit & Risk Committee.

Decision

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

6. INTERNAL AUDIT REPORT – RISK 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 Risk Management.

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 which had been agreed by Management.

Responding to a question from Councillor Currie, Ms Garden explained that within a Risk Register a residual risk score should only be reduced where the planned control measures were new and were likely to be put in place. She further advised that a risk appetite statement would assist in articulating the level of risk the Council is prepared to tolerate or accept.

Councillor Currie stated that while the current Risk Register format generally served its purpose and the level of detail was suitable, he suggested that it would be helpful to add a category showing the potential implications of a failure to manage or mitigate a particular risk.

Mr Vestri indicated that the Corporate Risk Register review would consider these issues and the revised document, including the strategy and risk appetite statement, would be put to the Audit & Governance Committee for consideration.

Decision

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

7. INTERNAL AUDIT REPORT – PAYMENTS TO THIRD SECTOR ORGANISATIONS

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the recently issued audit report on Payments to Third Sector Organisations.

Ms Garden presented the report, advising members of the main purpose and scope of the audit and outlining the findings and recommendations all of which had been agreed by Management.

In response to questions from Members, Ms Garden clarified matters relating to duplicate creditors and the lack of regular reviews.

Tom Shearer, Head of Communities and Partnerships, advised Members that the Council was moving towards a more consolidated approach to the management of grant awards. He said that, following a previous review of community grants, arrangements had been put in place to regularly review Community Partnership awards and all applications to be considered by Cabinet would, in future, be consolidated into a single report.

Councillor Currie welcomed the report and thanked Mr Shearer for his comments. He underlined the importance of regularly reviewing all grant awards to ensure that outcomes were being met and to help organisations to avoid potential difficulties.

Decision

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

8. INTERNAL AUDIT REPORT – OUT OF AUTHORITY PLACEMENTS

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the recently issued audit report on Out of Authority Placements.

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 which had been approved by Management.

Councillor Currie commended the report, noting that the recommendations contained in the Action Plan had either been completed or were due for completion within the next couple of months. He commented that this was particularly welcome in an area where the nature of the work, e.g. child protection, meant that it was often necessary to take action first and deal with procedural matters later.

Sharon Saunders, Head of Children's Wellbeing, stated that where processes related to children's vulnerability and risk it was essential that placements were arranged quickly. She acknowledged that, while the nature of the situation meant that sometimes information was recorded in retrospect, there were improvements that could be made in how placements were recorded both on and off the Framework.

Decision

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

9. INTERNAL AUDIT REPORT – NATIONAL FRAUD INITIATIVE

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of the work undertaken on the 2014/15 National Fraud Initiative (NFI).

Ms Garden presented the report, outlining the background and scope of the data matching exercise and reminding Members that data matches did not in themselves indicate fraud but rather identify cases which may require further investigation. She

advised that 204 investigations had been completed to date and the remainder would be done shortly.

Ms Garden responded to a number of questions on matches relating to payroll, housing tenants, blue badges/disabled parking bays and Council Tax. She confirmed that investigations on 11 of the 27 'Housing to Housing' matches remained outstanding but that these would be concluded by the end of March. She agreed to provide a further report to the Committee when this work was complete.

Mr Shaw commented that this was a good quality report and should be used to drive forward actions by Management and to ensure that the issues identified don't reoccur. Ms Garden agreed to the addition of an Action Plan for future reports.

Councillor Currie suggested that the presentation of Internal Audit's follow up report would provide the Committee with the opportunity to discuss wider issues such as disabled parking bays and how to encourage individuals to claim the benefits to which they are entitled, e.g. the Council Tax single person discount.

Decision

The Committee agreed to note the contents of the report.

10. INTERNAL AUDIT REPORT – PERFORMANCE INDICATORS 2014/15

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.

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

Responding to a question from Councillor Currie, Ms Garden advised that the audit had looked at 5 specific areas and she could only give assurances on these areas. However, she confirmed that the recommendations in the Action Plan, all of which had been agreed by Management, would apply to all Service areas.

Decision

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

11. 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.

Councillor McAllister commended the work of Internal Audit and in particular the detail and quality of their reports. Councillor Goodfellow echoed his comments.

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