



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

**TUESDAY 22 MARCH 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 (Items 1 – 7)  
Councillor J Goodfellow  
Councillor F McAllister (Items 3 – 12)  
Councillor J Williamson

### **Council Officials Present:**

Mr A McCrorie, Depute Chief Executive - Resources and People Services  
Mr J Lamond, Head of Council Resources  
Mr R Montgomery, Head of Infrastructure  
Mr T Shearer, Head of Communities & Partnerships  
Mr D Proudfoot, Head of Development  
Mr I Dalglish, Service Manager - Transport  
Mr A Cruickshank, Service Manager – IT Infrastructure  
Mr J Cunningham, Service Manager - Benefits  
Mr P Vestri, Service Manager – Corporate Policy and Improvement  
Ms S Fortune, Service Manager – Business Finance  
Ms M Garden, Internal Audit Manager  
Mr S Allan, Senior Auditor

### **Visitors Present:**

Ms S Burden, KPMG LLP  
Ms L Nelson, KPMG LLP

### **Clerk:**

Ms F Currie

### **Apologies:**

None

### **Declarations of Interest:**

None

The Convener advised Members of a potential change to the agenda order to accommodate the representatives of KPMG who would be arriving late.

### **1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING HELD ON 19 JANUARY 2016 (FOR APPROVAL)**

The minutes of the Committee's meeting on 19 January 2016 were approved.

In response to a question from Councillor Williamson, Ray Montgomery, Head of Infrastructure, provided an update on the survey work being undertaken at Fisherrow Harbour.

*Sederunt: Councillor McAllister joined the meeting.*

### **3. DEVELOPMENT RISK REGISTER**

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

Paolo Vestri, Service Manager – Corporate Policy and Improvement, presented the report drawing Members' attention to the standard matrix used to evaluate risk and to the Register which included 13 'high', 33 'medium' and 9 'low' risks.

Douglas Proudfoot, Head of Development, responded to questions from Members on delivery of affordable housing, removal and replacement of solid fuel systems, external wall insulation, school extensions and filling staff vacancies.

Councillor Goodfellow expressed concerns about delivery of affordable housing, particularly in his own ward, and welcomed proposed control measures to review section 75 co-ordination and to secure greater project management control.

Councillor Currie commented that it was not always preferable to accept commuted sums as this would impact on the Council's ability to deliver affordable housing in the longer term. He said that only by having greater control over land could they ensure adequate provision of Council housing.

#### **Decision**

The Committee agreed to note the Development Risk Register 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 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.

## **2. ELC INTERIM MANAGEMENT REPORT AND AUDIT STATUS SUMMARY**

A report was submitted by KPMG to provide the Committee with an update on the findings of the interim audit including significant risks, other focus areas and the results of the control framework testing, encompassing overarching governance and systems controls.

Sarah Burden, Manager, KPMG LLP, presented the report and responded to questions from Members on additional monies for social care, progress of the capital budget and the impact on capital limits and associated borrowing, and the classification of the results of the interim audit.

Councillor Goodfellow welcomed the results of the interim audit and in particular the absence of any recommendations for action.

Councillor Currie added a note of caution suggesting that Members await the outcome of the final audit before celebrating the results.

### **Decision**

The Committee agreed to note the contents of the report.

## **4. COMMUNITIES AND PARTNERSHIPS RISK REGISTER**

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

Mr Vestri presented the report and drew Members' attention to the Register which included 1 'very high', 5 'high', 36 'medium' and 18 'low' risks.

Tom Shearer, Head of Communities and Partnerships, responded to questions from Members on private sector leasing to provide temporary accommodation, arrangements for monitoring and maintaining the condition of properties, the numbers of homelessness applications and the geographical split across the county. Mr Shearer acknowledged that there had been some issues in relation to repairs of private leasing properties and he advised Members that this and other matters would be addressed in a report on Housing Allocations which would go to Cabinet in April 2016.

John Cunningham, Service Manager - Benefits, addressed Members' questions in relation to the impact of welfare reform.

Councillor Currie expressed concerns at the recent increases in timescales for re-housing and said he looked forward to seeing the options contained in Cabinet report.

### **Decision**

The Committee agreed to note the Communities and Partnerships Risk Register 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 Communities and 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 and Partnerships and are likely to be a feature of the risk register over a number of years.

## **5. COUNCIL RESOURCES RISK REGISTER**

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

Mr Vestri presented the report and drew Members' attention to the Register which included 1 'very high', 8 'high', 26 'medium' and 12 'low' risks.

Jim Lamond, Head of Council Resources, and Mr Cunningham responded to questions from Members on proposals to mitigate the impact of welfare reform, including monitoring of the Scotland Bill and any recommendations for further devolution of welfare, and the potential for increased debt charges based on non-payment of rent and Council Tax.

Alan Cruickshank, Service Manager – IT Infrastructure, responded to Members' queries relating to potential threats to the Council's network and IT systems and the role of staff awareness training.

Councillor Goodfellow noted that the potential impact of any major Council-wide failure of the IT system was scored '5' – the highest score possible. However, he acknowledged that control measures were in place to mitigate that risk.

### **Decision**

The Committee agreed to note the Council Resources Risk Register 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 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.

## **6. 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.

### **Decision**

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

## **7. INTERNAL AUDIT REPORT – HOUSING REPAIRS SHARED COSTS**

A report was submitted by the Depute Chief Executive – Resources and People Services to inform the Committee of the recently issued audit report on Housing Repairs Shared Costs.

Mala Garden, Internal Audit Manager, presented the report summarising the areas where controls had been met, those with scope for improvement and the recommendations contained in the Action Plan which had been accepted by Management.

Ms Garden responded to a number of questions from Members relating to potential loss of income to the Council due to procedural failures.

Mr Shearer confirmed that the recommendations contained in the report were being implemented and a follow up report would be provided to Members in due course.

Councillor McAllister referred to concerns expressed by constituents in his ward regarding the time taken to deal with repairs to lighting and security doors in communal stairwells.

Mr Shearer pointed out that the Council were sometimes restricted by issues out with their control.

### **Decision**

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

*Sederunt: Councillor Forrest left the meeting.*

## **8. INTERNAL AUDIT REPORT – HOME TO SCHOOL TRANSPORT**

A report was submitted by the Depute Chief Executive – Resources and People Services to inform the Committee of the recently issued audit report on Home to School Transport.

Ms Garden presented the report, summarising the audit findings and the recommendations contained in the Action Plan, and she responded to questions from Members regarding the areas with scope for improvement.

Mr Montgomery advised that significant improvements had been made in recent years but he accepted that further work was required.

Councillor Currie emphasised the importance of following up the recommendations contained in the Action Plan, in particular those relating to procedures and Members' Library reports.

### **Decision**

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

## **9. INTERNAL AUDIT REPORT – PAYROLL**

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

Ms Garden presented the report advising Members that Payroll was an area which was reviewed on a regular basis and that this most recent review, focusing on the administration of Payroll, had been undertaken as part of the Audit Plan for 2015/16.

### **Decision**

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

## **10. INTERNAL AUDIT FOLLOW-UP REPORTS**

A report was submitted by the Depute Chief Executive - Resources and People Services to inform 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 outstanding actions in relation to Fleet Management and Partnership Funding.

Councillor Currie said that it would be helpful if, in future Follow-up reports, Internal Audit could indicate whether or not they were satisfied with the progress made since their initial audit.

### **Decision**

The Committee agreed to note the findings of Internal Audit's follow-up work on the Financial Arrangements at Crookston Care Home, Fleet Management and Partnership Funding.

## **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 Currie commended the quality and quantity of work undertaken by Internal Audit. The Convener also offered his thanks to the team.

### **Decision**

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

**12. INTERNAL AUDIT PLAN 2016/17**

A report was submitted by the Depute Chief Executive - Resources and People Services to inform the Committee of Internal Audit's operational plan for 2016/17.

Ms Garden presented the report outlining the factors taken into account when preparing the annual audit plan, the procedures for undertaking reviews and the audit coverage. She also drew Members' attention to the arrangements in place for the East Lothian Integration Joint Board (IJB).

Responding to a question from Councillor Currie, Mr Lamond advised that the first part of a 'due diligence' report on the IJB's financial arrangements had already been presented to Council and the second part would be considered in April. He acknowledged concerns about how the Council should be kept informed of the IJB's spending on health and social care and agreed to give further consideration to how this information should be presented to Council.

Ms Garden responded to questions from Councillor McAllister on contract monitoring.

**Decision**

The Committee agreed to approve the audit plan for 2016/17.

Signed .....

Councillor Kenny McLeod  
Convener of the Audit and Governance Committee