



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

**TUESDAY 17 MAY 2016  
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

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**Committee Members Present:**

Councillor K McLeod (Convener)  
Councillor S Currie  
Councillor A Forrest  
Councillor J Goodfellow  
Councillor F McAllister  
Councillor J Williamson

**Council Officials Present:**

Mrs A Leitch, Chief Executive  
Mr A McCrorie, Depute Chief Executive - Resources and People Services  
Mrs 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 Proudfoot, Head of Development  
Mrs M Ferguson, Service Manager – Legal & Procurement  
Mr J Cunningham, Service Manager - Benefits  
Mr K Christie, Service Manager - Revenues  
Mr P Vestri, Service Manager – Corporate Policy and Improvement  
Mr C Hall, Systems Development & Business Support Team Leader  
Mr G Miller, Cost & Procurement Manager  
Ms M Garden, Internal Audit Manager  
Mr S Allan, Senior Auditor

**Clerk:**

Ms F Currie

**Apologies:**

Councillor S Brown  
Councillor J Caldwell

**Declarations of Interest:**

None

## **1. MINUTES OF THE AUDIT & GOVERNANCE COMMITTEE MEETING HELD ON 22 MARCH 2016 (FOR APPROVAL)**

The minutes of the Committee's meeting on 22 March 2016 were approved.

## **2. 2016 CORPORATE GOVERNANCE SELF-EVALUATION/ANNUAL GOVERNANCE STATEMENT**

A report was submitted by the Chief Executive to advise the Committee of the outcome of the 2016 Corporate Governance Self-evaluation and seek approval for the content of the Annual Governance Statement.

Paolo Vestri, Service Manager – Corporate Policy and Improvement, presented the report reminding Members that Cabinet had previously approved the adoption of a Code of Corporate Good Governance in 2010. He advised that the self-evaluation had identified twelve areas of development and improvement which would be incorporated into the 2016/17 Council Improvement Plan which would be submitted for approval to Council in June 2016.

Mr Vestri responded to questions from Members on approval of the Plan, the decisions on the scope of Best Value reviews, the potential for providing additional information to local council election candidates and the East Lothian Poverty Commission.

Councillor Currie welcomed the responses regarding the induction of Elected Members and suggested that additional information might be provided to target potential candidates from under-represented groups. He also supported the action to further enhance the Council's relationship with the third sector.

Councillor McAllister commented on the induction programme for Elected Members. Referring to his own experience, he commended officers for putting together such a comprehensive programme and he acknowledged the importance of ongoing training and development.

### **Decision**

The Committee agreed to consider and comment on the self-evaluation and to approve the summary for inclusion in the Annual Governance Statement that will form part of the Council's 2015/16 Annual Accounts.

## **3. AN OVERVIEW OF SCOTTISH LOCAL GOVERNMENT 2016 (ACCOUNTS COMMISSION, MARCH 2016)**

A report was submitted by the Depute Chief Executive – Partnerships and Community Services to review East Lothian Council's position in relation to the findings of the Accounts Commission report, '*An overview of Local Government in Scotland 2016*'.

Mr Vestri presented the report outlining the findings of the review and the actions being taken by East Lothian Council. He explained that the report was in two parts: the first reviewed the financial context in which councils were operating; and the

second part looked at how councils were performing in delivering services. He advised that results of the self-assessment would be used to review the Council's own performance and to inform action on areas such as the Members' induction programme.

In response to questions from Members, Jim Lamond, Head of Council Resources, provided clarification on issues relating to total funding costs, debt levels, sickness absence and budget-setting.

Councillor Currie said that it was clear from the report that Councils were not doing enough to deal with the financial challenges ahead. The current arrangements were not sustainable and the Council needed to do more: changes to the way services are delivered, understanding and addressing the reasons for increased sick absence and considering longer-term budget planning.

Councillor Goodfellow welcomed a comment in the report indicating that East Lothian was not the only local authority to have increased its reserves in the past year. He hoped this answered the critics of this outcome and he commended officers for their diligence.

### **Decision**

The Committee agreed to:

- (i) Note the position of East Lothian Council in regard to the issues raised in the Overview of Local Government in Scotland 2016; and
- (ii) Use the recommendations in the Overview of Local Government in Scotland 2016 and the self-assessment tool that accompanies the report to identify any further information or scrutiny activity it would wish to have reported back to future meetings of the Audit & Governance Committee.

## **4. UNIVERSAL CREDIT**

A report was submitted by the Depute Chief Executive – Resources and People Services to provide the Committee with an update on the introduction of Universal Credit.

Mala Garden, Internal Audit Manager, presented the report summarising the background and key points. She advised Members that this report represented an update on the position since the roll out of Universal Credit in the Musselburgh Job Centre began in April 2015. A detailed audit review would be undertaken in 2016/17 and the findings reported to the Audit & Governance Committee.

John Cunningham, Service Manager - Benefits, and Kenny Christie, Service Manager - Revenues, responded in detail to questions from Members relating to delays with initial payments made by the DWP, claimants without bank accounts, managing the change from weekly to monthly budgeting and the impact on rent and Council Tax payments. They also addressed Members' concerns over impact of Universal Credit on the accrual of rent arrears and whether non-payment of rent due to delays in benefits payments could result in someone being declared intentionally homeless.

Mr Cunningham added that full use had been made of the Scottish Welfare Fund in the first year of the roll out and he expected the same to occur this year, although demand may exceed supply. The forthcoming introduction of the Scottish flexibilities may also allow the Council to mitigate the impact of some aspects of Universal Credit but that the scope of these new powers was yet to be determined. In the meantime, the Council would continue to work closely with third sector agencies and claimants themselves to provide advice and support despite the uptake on this service having been disappointingly low.

Mr Christie said that the roll out over the past year had placed a strain on staff resources and that this was being kept under review. He also acknowledged that the current IT system required upgrading to reflect the new arrangements. He confirmed that direct payments to landlords could be introduced where there were arrears of 8 weeks or more and that more flexible payment arrangements were being considered.

Councillor Currie pointed to the increase in bad debt and subsequent requirement for an increase in rents. He expressed concerns over the potential for more people to be found intentionally homeless as a result of delays in payment and a failure to pay rents. He hoped that the new powers to be introduced in the Scottish Parliament would allow measures to be put in place to tackle this issue.

Councillor McAllister commented that there were always unknowns and this made it difficult for staff to respond. His concern was that the poorest and most vulnerable would be made worse off by the changes.

The Convener acknowledged that the roll out of the Full Digital Service by the DWP via Musselburgh Job Centre was the first in Scotland and one of only a few in the UK. The Council has responded very positively to this challenge. He thanked the staff for their hard work and said he looked forward to receiving the results of the full audit review later in the year.

### **Decision**

The Committee agreed to note the contents of this update.

## **5. INTERNAL AUDIT REPORT – COUNCIL TAX**

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

Ms Garden presented the report outlining the findings and the recommendations contained in the Action Plan which had been accepted by Management.

She responded to questions from Councillor Goodfellow regarding 'failed bills' and the recommendations contained in the Action Plan.

### **Decision**

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

## **6. INTERNAL AUDIT REPORT – OTHER INCOME**

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

Ms Garden presented the report summarising the audit findings and she responded to questions from the Convener regarding the recommendations contained in the Action Plan.

### **Decision**

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

## **7. INTERNAL AUDIT REPORT – AGENCY WORKERS**

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

Ms Garden 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 length of agency assignment, trends in the use of agency staff and raising managers' awareness of their responsibilities.

Angela Leitch, Chief Executive, observed that agency staff had been, and would remain, a useful tool in dealing with issues such as peaks in workloads and the provision of maternity and other long-term absence cover.

### **Decision**

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

## **8. 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.

### **Decision**

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

## **9. ANNUAL INTERNAL AUDIT REPORT 2015/16**

A report was submitted by the Internal Audit Manager to provide the Committee with a summary of the work undertaken by East Lothian Council's Internal Audit Unit in 2015/16 and to support both the Council's Annual Governance Statement and the Internal Audit Manager's Controls Assurance Statement.

Ms Garden presented the report advising Members that the Public Sector Internal Audit Standards (PSIAS) require that the Internal Audit Manager prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement. She summarised the contents of the report including the list of reviews completed as part of the 2015/16 audit plan.

Councillor Currie expressed concern about the resource implications of Internal Audit's additional responsibilities in relation to the East Lothian Integration Joint Board (IJB).

Mrs Leitch advised that discussions were taking place with colleagues in NHS Lothian over shared resources however Members should bear in mind that half of the service areas involved, such as Adult Wellbeing, were existing Council services and would, in any case, be subject to review by Internal Audit.

### **Decision**

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

## **10. CONTROLS ASSURANCE STATEMENT 2015/16**

A report was submitted by the Internal Audit Manager informing the Committee of her responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Ms Garden presented the report summarising the background and basis for her opinion; referring to the assessment of controls and governance; and highlighting that the majority of Internal Audit recommendations made in 2015/16 were categorised as medium risk. She added that the implementation by Management of agreed actions to address these weaknesses should provide assurance that the system of internal controls is operating effectively.

### **Decision**

The Committee agreed to note that the Controls Assurance Statement is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, for the year ended 31 March 2016.

**SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION**

The Committee agreed to exclude the public from the following business containing exempt information by virtue of Paragraph 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

**(a) Internal Audit Review – New Business Units, Mid Road, Prestonpans**

The Depute Chief Executive - Resources and People Services submitted a report to inform the Committee of the Internal Audit review on the New Business Units, Mid Road, Prestonpans. The Committee agreed to note the contents of the report and made one further recommendation in relation to additional audit work to be undertaken.

Signed .....

Councillor Kenny McLeod  
Convener of the Audit and Governance Committee