



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

**TUESDAY 28 NOVEMBER 2017
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor J Henderson (Convener)
Councillor F Dugdale
Councillor J Findlay
Councillor K Mackie
Councillor B Small

Council Officials Present:

Mr A McCrorie, Depute Chief Executive – Resources and People Services
Mrs M Patterson, Depute Chief Executive – Partnerships and Community Services
Mr R Montgomery, Head of Infrastructure
Mr D Proudfoot, Head of Development
Mr J Lamond, Head of Council Resources
Ms S Saunders, Head of Children and Adult Services
Mr T Shearer, Head of Communities & Partnerships
Mr P Vestri, Service Manager – Corporate Policy
Ms L Shaw, Corporate Finance Manager
Mr E John, Service Manager – Sport, Countryside & Leisure
Mr W Axon, General Manager - enjoyleisure
Ms J McCartney, Business Accountant, enjoyleisure
Ms S Cormack, Service Manager – HR & Payroll
Mr P Ritchie, HR Business Partner
Mr I Patterson, Homelessness Manager
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Mr C Grilli, Service Manager – Legal & Procurement
Mr S Kennedy, Emergency Planning and Risk Officer
Ms J Mackay, Media Manager

Other Councillors Present:

Councillor J Goodfellow
Councillor K McLeod

Clerk:

Ms F Currie

Visitors Present:

Ms E Scoburgh, Audit Scotland
Ms C Foster, Audit Scotland

Apologies:

None

Declarations of Interest:

None

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 26 SEPTEMBER 2017

The minutes of the Audit and Governance Committee meeting held on 26 September 2017 were approved as a true record.

SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION

The Audit & Governance Committee unanimously agreed to exclude the public from the following business containing exempt information by virtue of Paragraph 6 (information concerning the financial or business affairs of any particular person other than the Authority) of Schedule 7A to the Local Government (Scotland) Act 1973.

Matters Arising from the Minutes of the Audit and Governance Committee meeting on 26 September 2017

The Committee received an update in private session on the review of governance arrangements for the Musselburgh Joint Racing Committee.

2. COUNCIL RESOURCES RISK REGISTER

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

Scott Kennedy, Emergency Planning and Risk Officer, presented the report outlining the background to the register and the risk matrix which was used to evaluate individual risks. He advised that the current Council Resources Risk Register contained 3 Very High risks, 7 High risks, 26 Medium risks and 12 Low risks.

Jim Lamond, Head of Council Resources, responded to questions from Members on the risks relating to the Council's IT systems and corporate procurement, as well as the impact of the recent UK Government budget on the risks associated with welfare reform.

Decision

The Committee agreed to note the contents of the Council Resources Risk Register and 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.

3. HEALTH AND SOCIAL CARE PARTNERSHIP RISK REGISTER

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

Mr Kennedy presented the report. He advised Members that this new document replaced both the previous Adult Wellbeing Risk Register and Children's Wellbeing Risk Register and reflected the move to integrated health and social care and joint working with the NHS and is now the combined Health & Social Care Partnership Risk Register. He reminded Members that the risk register was a 'live' document which was regularly reviewed and updated, and that it currently included 6 High risks, 14 Medium risks and 1 Low risk. As per the Council's Risk Strategy only the Very High and High risks were being reported to the Committee.

Sharon Saunders, Head of Children and Adult Services, responded to questions from Members. Councillor Small asked if officers were comfortable with the control measures in place for risk items 1, 2 and 3 on the register and the financial implications of having these risk measures in place. Ms Saunders confirmed that the risk control measures had been developed in discussion with the Management Team and would help to mitigate the risks identified. She also confirmed that the stated mitigating actions intended to reduce risks could be delivered within budget.

In reply to questions from Councillor Findlay, Ms Saunders stated the risk control measures were continually reviewed and would be updated to take account of predicted changes in the county's population over the coming years.

The Convener asked why the risks in the register were assessed as 'amber' rather than 'red' given the significant budget overspend. Ms Saunders explained that the risks in the register were not classed as financial risks but rather are service delivery risks and those related to demand for and capacity to deliver services. The Convener acknowledged that they could be read in isolation but felt that this was not the best way forward and that they should be linked to other factors such as budgets.

Responding to a question from Councillor Dugdale, Ms Saunders gave further detail on the joint substance misuse services and their work to improve accessibility of treatment services for some of their most vulnerable clients.

Councillor Small welcomed the confirmation that the risks identified in the register could be managed within allocated budgets.

The Convener echoed Councillor Small's comments and added that, while she appreciated the report, in the past the risk levels had increased and it would be important to continue to review them closely and to link them with budget spending.

Ms Saunders clarified her earlier remarks regarding spending and stated that she had been referring to the mitigating factors contained in the register and not the Health and Social Care budget as a whole.

The Convener noted this clarification but stated that in terms of her own comments she was broadening the point to include the Service's budget as a whole.

Decision

The Committee agreed to note the contents of the Health and Social Care Partnership Risk Register and 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 Health and Social Care Partnership 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 the Health and Social Care Partnership and are likely to be a feature of the risk register over a number of years.

4. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW 2017/18

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 2017/18.

Liz Shaw, Corporate Finance Manager, presented the report outlining the background to its preparation and providing some contextual information on the economy and interest rates. She then updated Members on the Council's current capital and borrowing positions and added that it was extremely likely that the Council would have to borrow again before the end of the year. In the meantime, officers would continue to monitor the impact of factors such as the recent increase in interest rates and the ongoing uncertainty around Brexit.

Ms Shaw responded to questions from Members relating to interest rates, debt rescheduling, current borrowing figures and investments. She also agreed to provide additional information to the Convener regarding non treasury type investments.

Decision

The Committee agreed to note the content of the report.

5. COUNCIL GOVERNANCE ARRANGEMENTS WITH ENJOYLEISURE ALEO

A report was submitted by the Depute Chief Executive (Partnerships & Community Services) to update members on the Council's governance arrangements with its ALEO enjoyleisure and highlight areas of work that enjoyleisure is contributing to wider Council objectives.

Eamon John, Service Manager – Sport, Countryside & Leisure, presented the report advising Members that enjoyleisure was meeting the objectives of the service provision placed on it in the initial service specification. He outlined a number of areas where it was providing and enhancing opportunities for the Council, such as general management and operation of facilities, promoting and making available health and fitness activities for a range of users and operating and administering concessionary schemes for eligible users. He also referred to the Audit Scotland performance audit of Scottish Councils' use of ALEOs which will report in spring of 2018. He said he

looked forward to reviewing the contents of the report and of sharing in the good practice identified within it.

Councillor Small asked about statistics on the age profile of service users, in particular the elderly. Mr John confirmed that a range of statistics were prepared for quarterly performance reports and these included user statistics. He added that enjoyleisure provided activities suitable for a wide range of users and also worked with other services such as occupational health.

Councillor Mackie asked about the possibility of the withdrawal of relief on non-domestic rates and whether any concerns had been expressed to the Scottish Government. Mr John acknowledged that concerns about the Barclay report were significant and had been expressed to the Government through representations and meetings. However, he said he was optimistic about a positive outcome.

Councillor McLeod asked if there had been any problems with procurement. Mr John replied that there had been no issues.

Councillor Small said it was good to see the service providing activities for a range of users and that this needed to continue as it played an important part in improving public health.

The Convener said that the Committee looked forward to seeing the Audit Scotland report when it was published in the spring and which she hoped would provide more of a framework for the future.

Esther Scoburgh, Audit Scotland, asked if in the meantime she could share both of the enjoyleisure reports from today's agenda with her colleagues as examples of good practice.

Decision

The Committee agreed to note the contents of the report.

6. ENJOYLEISURE PERFORMANCE AND GOVERNANCE REPORT

A report was submitted by the General Manager of enjoyleisure to update the Committee on the performance and governance of enjoyleisure.

Bill Axon, General Manager of enjoyleisure, presented the report providing a detailed overview of the range of services available across facilities in East Lothian and looking at some of the issues currently impacting on the business. He also commented on the points raised by members in the previous item regarding statistics, procurement and the Barclay report recommendation on non-domestic rates.

In response to questions from Councillor Findlay, Mr Axon advised that the charge for the Access to Leisure Scheme was set by the Council. Jennifer McCartney, Business Accountant, provided background on enjoyleisure's pension fund liabilities and evaluation of contributions.

Councillor Small about the Board's governance arrangements. Mr Axon explained that the Board met five times per year and that there were three sub committees - Audit & Risk, Business Development and HR – which also met regularly and reported directly

to the Board. However, he said that at present the Audit & Risk sub committee did not have a chair but that this would be rectified in 2018.

In response to further questions from Councillor Small, Mr Axon confirmed that there would be a small cost saving in the first instance as a result of taking HR in-house. Referring to revenue and maintenance, he said that there were significant challenges going forward to ensure that facilities were maintained to the expected standards and to minimise the impact of this work on customers and thereby revenue. On the issue of the trading subsidiary, both he and Ms McCartney provided information on the commercial sales and café elements.

Councillor McLeod asked whether enjoyleisure had its own procurement arrangements and how these differed from the Council's procedures. Mr Axon advised that enjoyleisure's rule were not as rigid as the Council's but that with regard to any capital expenditure they worked closely with the Council's procurement staff to ensure due diligence.

Councillor Mackie welcomed the objective of inclusion of ASN users and the continued investment in this area.

Councillor McLeod said that this was an excellent report and he was pleased to see that it had been brought before the Audit & Governance Committee.

The Convener thanked Members for their questions and comments and reiterated the importance of the Committee receiving regular reports of this type.

Alex McCrorie, Depute Chief Executive, suggested that future reports from enjoyleisure could include more financial information. Mr Axon suggested that the accounts be circulated separately to the Committee members.

Decision

The Committee agreed to note the information contained in the report.

7. AUDIT SCOTLAND – EQUAL PAY

A report was submitted by the Depute Chief Executive (Resources and People Services) to inform the Committee of the key findings of the Accounts Commission's recent national review on how effectively Councils have implemented the Single Status Agreement.

Mr Lamond presented the report outlining the background to the Single Status Agreement (SSA) and the development of the Council's own pay and grading structure. He also drew Members' attention to the report's key findings as they related to the position in East Lothian.

In response to questions from Members Mr Lamond advised that there were no outstanding claims at the moment. However, he added that while the risk of future claims had been minimised it could not be completely ruled out.

Ms Saunders, who was Head of Human Resources at the time of SSA, observed that the arrangements put in place during that process had been to secure a sustainable equal pay structure and this had proved largely successful. She added that further

work would be needed in future to review the job evaluation process and to ensure that equality was maintained.

Decision

The Committee agreed to note the contents of the Accounts Commission's *Equal Pay in Scottish Councils* report in relation to East Lothian Council.

8. INTERNAL AUDIT REPORT – HOMELESSNESS

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Homelessness.

Mala Garden, Internal Audit Manager, presented the report outlining some of the key findings and referring Members to the recommendations contained in the Action Plan which had been agreed by Management.

Councillor Small asked if there would be any follow up planned given the number of recommendations and the high profile nature of the subject area. Ms Garden confirmed that progress on the Action Plan would be followed up and that a report would be presented to the Committee. She added that Management were required to implement 'High' level recommendations within three months.

In response to a question from Councillor McLeod, Ms Garden confirmed that non-contract accommodation would only be used in an emergency situation, for example where all contracted B&Bs were full.

The Convener observed that this was an extremely challenging area subject to significant pressures. She noted the extensive list of recommendations and asked how realistic it was to expect officers to address some of these given the nature of the problem.

Ian Patterson, Homelessness Manager, pointed out that a number of the recommendations related to contract end arrangements and were already being addressed. He also reminded Members that the Homelessness Action Plan had been agreed by Cabinet earlier this month.

Councillor Dugdale welcomed the report and said that the staff in the Homelessness Team did an excellent job. She was also pleased to hear that Management were taking action on the recommendations.

Decision

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

9. INTERNAL AUDIT REPORT – ALEO (ENJOY EAST LOTHIAN LIMITED)

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on ALEO (Enjoy East Lothian Limited).

Ms Garden presented the report informing Members that this review of the arrangements for funding external bodies, focusing on Enjoy East Lothian Limited, had been undertaken as part of the 2017/18 Audit Plan. She summarised the areas where controls had been met, those with scope for improvement and the recommendations contained in the Action Plan.

The Convener commented that some of the issues raised in this report had been covered in the discussion of earlier items on the agenda. She also acknowledged the work that had been undertaken to get the necessary audit and governance structures in place.

Decision

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

10. INTERNAL AUDIT REPORT – TRAINING

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of the recently issued audit report on Training.

Stuart Allan, Senior Auditor, presented the report outlining some of the key findings and referring Members to the recommendations contained in the Action Plan which had been agreed by Management.

In reply to a question from Councillor Small, Mr Allan stated that there were several areas of the Council which demonstrated good practice and some with a very structured approach to training, e.g. professional qualifications.

Decision

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

11. 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 and the progress made by Management in implementing audit recommendations.

Mr Allan presented the report outlining progress on recommendations made in previously issued audit reports regarding Housing Voids and Home to School Transport. This report followed an earlier update presented to the Committee in September 2017. He advised Members that all of the recommendations resulting from the audit on Home to School Transport had now been fully implemented and of the nine recommendations on Housing Voids, six were currently outstanding.

In response to questions from Councillor Mackie and the Convener, Mr Allan explained that the main recommendation related to the Voids Management Policy which was last revised in 2009 and which Management had agreed to review. He added that other recommendations related to policy and operational arrangements which would flow from the review. Regarding timescales he stated that a new project officer was to be

appointed in January 2018 and that the review itself required a period of consultation and so the completion date had been set at December 2018.

Douglas Proudfoot, Head of Development, acknowledged that resources had been problematic and that the review would be an extensive piece of work involving other areas of the Council and impacting on other areas of work such as the allocations policy. He said that the review would be about achieving a balance between legislative requirements and taking the views of the client base into account to avoid any unintended consequences. He said he was happy to give an assurance to Members that this work would be prioritised.

The Convener asked that any slippage on the timescale for completion be notified to the Committee.

Ms Garden responded to further questions from Councillor Small and the Convener regarding the grading of the recommendations. She explained that these were based on an assessment of risk at the time of the audit and were not usually reassessed during the follow up process. She also confirmed that all recommendations were followed up regardless of whether they were graded high, medium or low.

In reply to a question from Councillor Findlay on Home to School Transport, Mr Allan advised that the audit had focussed on procurement procedures and therefore the proposals to extend the transport distance from 2 to 3 miles would not have any impact of the audit findings or recommendations.

Monica Patterson, Depute Chief Executive, gave her assurance to Members that Housing Voids was an area of intense focus for the Council. She accepted the audit had identified a number of areas to address in terms of policy and that this work would progress over the coming months. In the meantime, all housing voids would continue to be closely and regularly monitored and the area as a whole would continue to be subject to intense management activity.

Mr Allan provided some additional clarification of the grading of recommendations in this and other audit reports.

Decision

The Committee agreed to note the findings of Internal Audit's follow-up work on Housing Voids and Home to School Transport.

12. INTERNAL AUDIT PROGRESS REPORT 2017/18

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 2017/18.

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.

Responding to a question from Councillor Small Ms Garden explained that the audit completion dates were not directly linked to the Committee meeting dates. However, she observed that the reduction in the frequency of meetings (from 5 to 4 per year) had increased the number of audit reports being presented at each Committee

meeting. She concluded that while not all of the audit reports scheduled for completion by February would be presented to the February meeting, she would try to bring forward as many as possible.

The Convener thanked the Internal Audit staff for their valuable work and said she looked forward particularly to the report on the review of overtime.

Decision

The Committee agreed to note the contents of the Internal Audit Progress Report 2017/18.

Signed

Councillor Jane Henderson
Convener of the Audit and Governance Committee