



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

**TUESDAY 27 NOVEMBER 2018
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

Councillor J Henderson (Convener)
Councillor S Currie
Councillor F Dugdale
Councillor J Findlay
Councillor K Mackie
Councillor K McLeod
Councillor J Williamson

Other Councillors Present:

Councillor J McMillan (Item 5)

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive
Ms M Patterson, Depute Chief Executive
Mr D Proudfoot, Head of Development
Mr J Lamond, Head of Council Resources
Mr T Reid, Head of Infrastructure
Ms M Garden, Internal Audit Manager
Mr S Allan, Senior Auditor
Ms S Fortune, Service Manager – Business Finance
Mr S Wood, Waste Services Officer
Mr B Moffat, Service Manager - Transport
Ms D Budziosz, Transport Coordinator
Mr R Baty, Business Development Manager
Mr E John, Service Manager – Sport, Countryside & Leisure
Mr B Davies, Group Service Manager – Planning & Performance
Mr B Axon, General Manager, Enjoyleisure

Clerk:

Ms F Currie

Visitors Present:

Ms E Scoburgh, Audit Scotland

Apologies:

Councillor B Small

Declarations of Interest:

None

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 25 SEPTEMBER 2018

The minutes of the Audit and Governance Committee meeting held on 25 September 2018 were approved as a true record.

2. INTERNAL AUDIT REPORT – NOVEMBER 2018

A report was submitted by the Depute Chief Executive (Resources & People Services) informing the Committee of Internal Audit reports issued since the last meeting of the Committee and providing an update on the progress against the 2018/19 annual audit plan.

Stuart Allan, Senior Auditor, presented the report outlining the purpose of the audits, and the level of assurance provided to Management as a result of this work. He also drew Members' attention to the report showing Internal Audit's progress against the 2018/19 annual audit plan.

Payments on Schedule

Mr Allan summarised the main findings of this audit and highlighted one or two of the areas with scope for improvement.

Mr Allan and Mala Garden, Internal Audit Manager, responded to questions from Councillor Currie confirming that the overpayments identified following the audit had now been recovered and that appropriate arrangements were now in place. Addressing concerns about the level of assurance, Mr Allan stated that the assessment of 'moderate' assurance was based on the audit findings and that following implementation of the recommendations he would expect the assessment to rise to 'reasonable' or 'substantial' assurance.

Bryan Davies, Group Service Manager – Planning & Performance, confirmed that work had been undertaken to improve processes and that further improvements were planned. As a result, he expected the level of assurance to improve when the audit team returned to do their follow up review.

Adult Services Transport

Mr Allan explained that the audit had focused primarily on taxi services. He summarised the main findings and highlighted one or two of the areas with scope for improvement. Mr Allan also addressed a point raised by Councillor McLeod regarding compliance with data protection legislation. Mr Allan indicated that as part of the service it was sometimes necessary to give the operator an idea of a client's needs. Bruce Moffat, Service Manager - Transport, confirmed that he had discussed the procedures with the Council's GDPR officer who had confirmed that all were compliant with legislation.

In response to questions from Councillor Findlay and Councillor Dugdale, Mr Moffat advised that all work was now done through taxi framework providers and that all appropriate checks on licences, training and PVG were carried out. He also confirmed that a new standardised request form was in place.

Mr Allan and Ms Garden also responded to questions from Councillor Williamson and the Convener on the timescales for implementation of the recommendations, confirming that a wider review of transport had been undertaken and that the new processes in place incorporated the recommendations made by the audit team.

IT Access Controls

Mr Allan explained that the audit had looked at five systems within the Council (AVD, CHRIS, PECOS, Total and Uniform). He summarised the main findings of the audit and highlighted one or two of the areas with scope for improvement.

Mr Allan confirmed that no examples of inappropriate access to or use of the systems had been found in the samples reviewed for the audit. He added that it was important to ensure that access rights were restricted only to those areas of any system that were essential for staff to carry out their duties and that system access was removed for all former employees.

Trade Waste Income

Mr Allan summarised the main findings of this audit and highlighted one or two of the areas with scope for improvement.

Mr Allan and Tom Reid, Head of Infrastructure, provided further information on transfer notices, the systems in place for ensuring that all notices were valid, and arrangements for dealing with persistent late payment or non-payment of business waste charges.

Decision

The Committee agreed to note:

- (i) The main findings and recommendations from Internal Audit reports issued during the period October to November 2018; and
- (ii) Internal Audit's progress against the annual audit plan for 2018/19.

3. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID-YEAR REVIEW 2018/19

A report was submitted by the Depute Chief Executive (Resources & People Services) updating the Committee on Treasury Management activity during the first half of 2018/19.

Sarah Fortune, Service Manager – Business Finance, presented the report advising Members that the update was in line with the Treasury Management Strategy approved by Council in February 2018. She indicated that the report drew heavily on the advice provided by the Council's Treasury Management advisers and she highlighted some of the key themes, including in-year borrowing and repayment of loans matured and the potential impact of further interest rate rises. She added that, at this time, it was difficult to assess the likely impact of Brexit.

In response to questions from Councillor McLeod and Councillor Findlay, Ms Fortune explained the reasons for the forecast need for borrowing during the next six months of the year and confirmed that lending to other local authorities was standard practice and formed part of the Council's overall strategy.

Following a query from Councillor Williamson, Mr Lamond advised that ‘investment counterparty criteria’ referred to the criteria to be considered when investing, such as the level of risk and liquidity and whether it offered a reasonable return.

Responding to questions from Councillor Currie, Mr Lamond stated that it was a fundamental principle of the Code that local authorities could not borrow in advance of need. He said that changes to interest rates were difficult to predict and when the Council considered funding for capital projects it looked at how best to finance them as a whole. While he acknowledged that interest rates were a factor in considering whether to bring forward the timing of capital projects, he said that other factors, such as remaining within affordability limits, were more important.

Decision

The Committee agreed to note the contents of the report.

4. ENJOYLEISURE ANNUAL REPORT 2017/18

Bill Axon, General Manager of Enjoyleisure, had prepared a report to the Committee outlining the organisation’s activities during 2017/18. He was happy to answer any questions.

The Members asked a number of questions about the withdrawal of the ‘free swim’ scheme, arrangements for free swimming lessons, concerns about capacity within the service to accommodate the demand for swimming, business performance challenges and external funding opportunities.

Mr Axon explained that, at present, it was difficult to assess the impact of the withdrawal of ‘free swims’ during the summer holidays and he outlined some of the alternatives available through the learn to swim programme, free swimming lessons for some school children and free access as part of membership arrangements.

He acknowledged that budget constraints and capacity issues were factors in reviewing future service provision. He said that there were particular concerns about capacity at the Aubigny Centre and discussions were already taking place with external providers on proposals to increase the availability of services. He would be in a position to present these proposals to the Council in January 2019.

Mr Axon commented more generally on the challenges associated with delivering local and national government commitments to improving access to physical activities and improving health. He emphasised the need for a more strategic approach and for better partnership working between enjoyleisure, the Council and external providers. He said that this would be an essential part of ensuring that they had the capacity to grow and develop services to support and benefit people with long-term illnesses. He cited the example of Macmillan Cancer Support who were part funding a new post in enjoyleisure.

On the issues of incentive programmes and external funding, Mr Axon advised Members that he was currently considering proposals and the expertise and staff resource required to focus on bid writing and marketing. He also responded to a question on swim teacher development and agreed that this needed to be expanded. He acknowledged that there had been issues in North Berwick which had impacted on their ability to provide a level of consistency with swimming lessons but that staff were working hard to resolve this.

Councillor Currie expressed concern about potential capacity issues raised by Mr Axon and highlighted in the report and thought that these should be addressed through developer contributions when housing applications were brought forward to the Planning Committee. He welcomed the focus on external funding sources and said that this was a crucial part of future investment. He suggested that it would be useful for the Committee to have an update on progress with these and other issues before the next annual report.

Eamon John, Service Manager – Sport, Countryside & Leisure, confirmed that there had been a developer contribution included in the Letham Mains site under the 2008 Local Development Plan (LDP). The new 2018 LDP focused on open space and educational sports provision and he cited examples in North Berwick and Musselburgh.

Councillor Dugdale welcomed the number of opportunities available for physical activities, as well as the introduction of soft play sessions for children with autism, community provision for people with dementia and future partnership working with Macmillan Cancer Support.

The Convener thanked Mr Axon for his report and the Members for their contributions. Referring to the range of the discussion, she noted that there were a number of challenges ahead for enjoyleisure and she looked forward to receiving an update on progress.

Decision

The Committee agreed to note the contents of the report.

5. EAST Lothian Land Ltd 2017/18

A report was submitted by the Depute Chief Executive (Resources & People Services) informing the Committee of the work undertaken by East Lothian Land Ltd in 2017/18.

Richard Baty, Business Development Manager, presented the report outlining the background to East Lothian Land Ltd and providing details of projects considered and delivered in 2017/18.

In response to a question from Councillor Currie, Mr Baty advised that a few years ago a review was undertaken of all land identified for employment use. An agent was employed to make approaches to developers for the purchase of these sites but all offers were declined. He said that the exercise would be repeated in the New Year.

Councillor Currie said that East Lothian Land was a good business which had shown that it was possible to make a success of commercial sites. He said that there continued to be demand, especially from incubator businesses, and that the Council must continue to support the development of these sites.

Mr Proudfoot stated that he was determined to see the delivery of land use allocations and to resist applications for housing on land set aside for employment use.

Councillor John McMillan welcomed the Committee's consideration of the report. He said that East Lothian Land was aware of the issues and the importance of supporting the growth of new businesses.

The Convener thanked Mr Baty for a clear and very useful report.

Decision

The Committee agreed to note the contents of the report.

Signed

Councillor Jane Henderson
Convener of the Audit and Governance Committee