



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 16 FEBRUARY 2021
VIA DIGITAL MEETINGS SYSTEM**

Committee Members Present:

Councillor J Henderson (Convener)	Councillor S Currie
Councillor F Dugdale	Councillor C Hoy
Councillor G Mackett	Councillor K Mackie
Councillor K McLeod	Councillor J Williamson

Other Councillors Present:

Councillor J McMillan (Items 2 – 8)

Council Officials Present:

Ms M Patterson, Chief Executive
Mr A McCrorie, Depute Chief Executive
Mr J Lamond, Executive Director for Council Resources
Ms S Saunders, Head of Communities
Mr D Proudfoot, Executive Director for Place
Mr T Reid, Head of Infrastructure
Ms L Brown, Executive Director for Education and Children's Services
Ms S Fortune, Head of Finance
Ms J Tait, Head of Children's Services
Mr B Moffat, Service Manager – Transport & Waste
Mr D Stainbank, Service Manager – Internal Audit
Mr S Allan, Senior Auditor
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer
Mr C Grilli, Service Manager - Legal
Mr R Baty, Companies Manager
Mrs T Carlyle, Group Service Manager – Rehabilitation & Access
Mr P Currie, Interim General Manager – Strategic Integration
Ms A Glancy, Finance Manager – Corporate Accounting
Miss R Crichton, Committees Officer

Clerk:

Miss F Currie

Visitors Present:

Ms E Scoburgh, Audit Scotland
Mr B Farnsworth, Musselburgh Racecourse
Mr D Kennedy, Musselburgh Racecourse

Apologies:

None

Declarations of Interest:

Item 6 – Councillors Currie and Mackie declared an interest as former members of the Musselburgh Racing Associated Committee and indicated they would withdraw from the meeting during this item.

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 24 NOVEMBER 2020

The minutes of the Audit and Governance Committee meeting held on 24th November 2020 were approved.

2. INTERNAL AUDIT REPORT – FEBRUARY 2021

A report was submitted by the Executive Director for Council Resources informing the Committee of Internal Audit reports issued since the last meeting of the Committee and providing an update on the progress made against the 2020/21 annual audit plan.

Duncan Stainbank, Service Manager – Internal Audit, presented the report outlining the purpose of the audits and indicating that as a result of this work an assessment of ‘substantial assurance’ had been given on Risk Management and ‘reasonable assurance’ on Covid-19 Lessons Learned and Fleet Management. He summarised the main findings of the audits, highlighting areas where controls were met and those with scope for improvement. Officers then responded to questions from Members.

Fleet Management

Mr Sainbank and Mr Bruce Moffat, Service Manager – Transport & Waste, provided further detail on the process for issuing driver permits, noting that this was an internal process and non-mandatory. Mr Moffatt advised that his team were working with IT on developing an app to improve the process for duty checks on vehicles. He also explained that information was provided by the DVLA through the process of licence checks and the DVLA would notify the Council of any changes. He added that his team were also encouraging managers to report any changes for their staff relating to ill health, which may not come directly from the DVLA. Mr Moffatt reported that while Council vehicles were predominantly purchased outright, there was an element of lease in the electric fleet which allowed them to keep up to date with the latest upgrades. Mr Stainbank confirmed that a recommendation relating to the fleet management strategy was the issue which had appeared in both the 2015 and 2020 audit reports.

Covid-19 Lessons Learned

Jim Lamond, Executive Director for Council Resources, reassured Members that regular reporting of all matters related to COVID-19 would continue and that any matters resulting from the audit findings which required a change in policy or other decision by Members would be brought forward to Council or Cabinet. This would be in addition to the regular reporting and briefings to Members which were taking place via a variety of means. He added that he would discuss with the Chief Executive and others how best to report to Members progress against the specific lessons learned which had been identified in the audit report.

Mr Stainbank referred Members to Appendix 2 of his report which outlined progress against the annual audit plan for 2020/21. He advised that 8 audits remained outstanding and that discussions were ongoing with service areas regarding the timing and completion of these audits.

Councillor Dugdale thanked Mr Stainbank and his team for their work on the audits and in particular the report on Covid-19 Lessons learned. She said that this had highlighted the work undertaken across the Council in response to the pandemic and she was pleased to see the focus on staff resilience and health.

The Convener commented that the Internal Audit Team's ability to plan ahead and prioritise while also identifying new areas of work had been exceptional. She added that the internal audit function continued to be of vital importance at present.

Decision

The Committee agreed to note:

- i. the main findings and recommendations from the Internal Audit report issued during the period from November 2020 to February 2021;
- ii. Internal Audit's progress against the annual audit plan for 2020/21.

3. INTERNAL AUDIT PLAN 2021/22

A report was submitted by the Executive Director for Council Resources informing the Committee of Internal Audit's operational plan for 2021/22.

Mr Stainbank presented the report outlining the factors taken into account when preparing the annual audit plan, Internal Audit's primary role and the range of financial and non-financial audits covered by the plan. He highlighted that 3 reviews were had not progressed in 2020/21 had been added to the 2021/22 plan. He also advised Members that reactive work required as a result of Covid-19 may continue to impact on the planned work of the Internal Audit team.

Mr Stainbank responded to questions from Members. He confirmed that should any revisions be required to the planned audit work as a result of changing circumstances, or the need for additional reactive work to be undertaken, the plan would be brought back to the Committee.

Councillor Currie observed that at the beginning of the pandemic there had been concerns that internal audit work may get in the way of the Council's response to Covid-19. However, it was his view that there had never been a more important time for audit and scrutiny of expenditure and adaptations to services and procedures. He thanked officers for their efforts and said that the plan for 2021/22 was impressive and emphasised the continuing importance of audit work.

The Convener concurred with Councillor Currie's remarks. She added that the Council and this Committee could have every confidence in the dynamism and flexibility shown in the work of the Internal Audit team during the past year.

The vote on the recommendation was taken by roll call:

Councillor J Henderson	Agreed
Councillor S Currie	Agreed
Councillor F Dugdale	Agreed
Councillor C Hoy	Agreed

Councillor K Mackie	Agreed
Councillor G Mackett	Agreed
Councillor K McLeod	Agreed
Councillor J Williamson	Agreed

Decision

The Committee approved the audit plan for 2021/22.

4. UPDATE ON THE EAST LoTHIAN COUNCIL DRAFT ANNUAL AUDIT PLAN 2020/21

Esther Scoburgh, Senior Auditor at Audit Scotland, provided a verbal update to Members on the development of the annual audit plan for 2020/21. She advised that Audit Scotland now recognised that the original plan for 2020/21 to be a transitional year before returning more closely to pre-existing timetables, was no longer viable. As a result, in February 2021 they set out clear priorities to help manage the ongoing impact of the pandemic on their capacity to deliver audit work. Council audit work would be prioritised as much as possible to meet the current planning guidance deadline of 31 October 2021 sign off. Ms Scoburgh stated that following discussions with senior Council officers, it had been agreed that the 2020/21 annual audit plan would be prepared and finalised before the end of April 2021. Noting the next Committee meeting would not take place until June, the annual audit plan would be agreed with senior Council officers and circulated to all Committee members thereafter.

Ms Scoburgh also reminded Members that Audit Scotland had produced a paper explaining to external stakeholders the impact of the pandemic on their work. This was called 'Covid-19: What it means for public audit in Scotland', published in May 2020. With the reintroduction of significant restrictions in December 2020, the paper had been updated and had been circulated to the Committee prior to this meeting.

The Convener thanked Ms Scoburgh and said she looked forward to receiving further updates, and the agreed plan, in due course.

5. EAST LoTHIAN INVESTMENTS LTD 2019/20

A report was submitted by the Companies Manager informing the Committee of the work undertaken by East Lothian Investments Ltd (ELI) in 2019/20.

Richard Baty, Companies Manager, presented the report outlining the background and governance arrangements for ELI and the work undertaken during 2019/20. He summarised lending activity and highlighted some of the impacts of the pandemic on the 202/21 position. He also reported on the continued progress of the East Lothian Gift Card.

Mr Baty responded to questions from Members outlining the number of business interruption loans and start-up loans issued during the period. He explained some of the options being considered to expand the current range of products on offer but reminded Members that as loans were offered interest free it was difficult for ELI to borrow additional funds without incurring a cost. Mr Baty also provided further detail on the Gift Card sales, noting that these had increased dramatically around Christmas 2020. He reported that an average of 25% of Gift Card value remained unspent and a key strategy going forward would be to increase the percentage spend.

Councillor Currie thanked Mr Baty for his report. He said the results were hugely impressive and this was borne out by the low failure rate. He noted that for many businesses these loans were their only option and he hoped that investment would continue and increase allowing the scheme to expand.

The Convener echoed these remarks and noted that the due diligence undertaken by ELI was extraordinary.

Decision

The Committee agreed to note the contents of the report.

Sederunt: Councillors Currie and Mackie withdrew from the meeting for the following item.

6. MUSSELBURGH RACING ASSOCIATED COMMITTEE UPDATE

A report was presented to the Committee by the Depute Chief Executive reporting on the Racecourse financial performance for the period 1 April to 23 June 2020 in the financial year 2020/21.

Mr Grilli presented the report summarising the conclusion of matters relating to the Musselburgh Racing Associated Committee and the transfer of the racecourse to its new operator on 24 June 2020. He advised that the accounts for the period 1 April to 23 June 2020 currently showed a positive balance, however the full audit process had yet to be concluded. He also highlighted an error which had been picked up relating to the completion of BHA licence application forms and that this has since been resolved.

In response to a question from the Convener, Mr Grilli advised that the share holdings transferred to the Council would remain in its control and would allow it the right to hold close dialogue with the new operator to ensure that the progress of the racecourse aligned with the Council's aspirations.

Decision

The Committee agreed to note the contents of the report.

Sederunt: Councillors Currie and Mackie re-joined the meeting.

7. EDUCATION & CHILDREN'S SERVICES RISK REGISTER

A report was submitted by the Chief Executive presenting to the Committee the Education & Children's Services Risk Register for discussion, comment, and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer, presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register included 1 Very High risks, 14 High risks, 10 Medium risks and 3 Low risks.

Lesley Brown, Executive Director for Education and Children's Services, and Judith Tait, Head of Children's Services, responded to questions from Members.

Ms Brown reported that the Scottish Government had reinstated the date for implementation of the 1140 hours policy as August 2021. Her staff were actively planning for this and were as confident as they could be that all arrangements and resources would be in place. Progress on this would continue to be closely monitored. On the issue of Additional Support Needs (ASN), Ms Brown advised that although the introduction of a new provision at Windygoul Primary School had gone some way to addressing demand, the number of children with ASN was increasing and very clear plans were in place to assess their needs and put in-school plans in place where placement in specialist provision was not possible. She also outlined work underway to assess the impacts of Covid-19 on these children and their ability to engage with the support being offered.

Ms Tait added that whilst it was possible to anticipate some of the impacts on young people it was not possible to know all and this made planning more difficult. Young people who were at risk of disengaging would require close monitoring and additional support but services were in a better place than previously to undertake this work.

Ms Tait also provided further detail of fostering/adoption services and the impact of social media advertising in attracting applications from potential foster carers. While staff continued to work very hard on this and other aspects of the service, she agreed that Members also had a role in encouraging new applications. Ms Tait also confirmed that some funding had been provided to address debts accrued by young people and to help them to manage their finances going forward. She acknowledged that while this funding could mitigate some financial hardships it was non-recurring.

Decision

The Committee agreed to note the Education & Children's Services Risk Register and in doing so, noted that:

- i. the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk;
- ii. the total profile of the Education & Children's Services risk could be borne by the Council at this time in relation to the Council's appetite for risk; and
- iii. although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for Education & Children's Services and were likely to be a feature of the risk register over a number of years.

8. HEALTH & SOCIAL CARE PARTNERSHIP RISK REGISTER

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

Mr Kennedy presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register was recorded on the NHS's Datix system and therefore was presented in a slightly different format to Council risk registers. The register included 3 High risks, 9 Medium risks and 4 Low Risks. All risks rating '8' and above had been reported to

the Committee. Mr Kennedy also reminded Members that the register was recorded on NHS Lothian’s Datix system and the report format was slightly different.

Mr Kennedy responded to questions from Members. He explained that the risks were reviewed differently on the Datix system and that 31 March 2021 was a standard date for review rather than completion. Risks were regularly reviewed and updated and the officers with responsibility for specific risks received reminders to review progress. However, he acknowledged that there was no specific column to record a date for reviewing progress of mitigation measures, although officers sometimes included this information in the comments section. He agreed to feedback Members concerns to those responsible for managing the Datix system.

Trish Carlyle, Group Service Manager – Rehabilitation & Access, also responded to questions outlining the networks in place to take account of the views of service users in assessing and managing risks. She said that a recent review of the Change Board and reference group structure would allow for greater involvement of stakeholders in the management of ongoing risks.

Ms Carlyle also acknowledged the challenges faced in the recruitment of homecare workers. She advised that additional funding for sustainability payments during Covid-19 had allowed them to maintain staffing levels but there would be a negative impact when this funding ceased. She said that the Care at Home team was working on measures to improve recruitment and retention of staff in this sector.

Councillor Currie commented that the variety of risks and concerns expressed demonstrated the tough times and difficulties faced by this sector. He wished to record his thanks to Council and Third Sector staff and independent organisations and charities for their work and to recognise the role of unpaid carers, particularly over the past year. He said that the real challenge would be to get services back on track and to avoid temporary arrangements becoming permanent by default. He said that the sector in East Lothian had performed exceptionally well in very difficult circumstances and this was the result of a massive team effort.

Decision

The Committee agreed to note the Health & Social Care Partnership Risk Register and in doing so, noted that:

- i. the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk;
- ii. the total profile of the Health & Social Care Partnership risk could be borne by the Council at this time in relation to the Council’s appetite for risk; and
- iii. although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for the Health & Social Care Partnership and were likely to be a feature of the risk register over a number of years.

Signed

Councillor Jane Henderson
Convener of the Audit and Governance Committee