



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

**TUESDAY 20 SEPTEMBER 2022  
VIA DIGITAL MEETINGS SYSTEM**

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**Committee Members Present:**

Councillor T Trotter (Convener)  
Councillor L Jardine  
Councillor G McGuire  
Councillor B Ritchie

Councillor L Bruce  
Councillor C McFarlane  
Councillor K McLeod

**Other Councillors Present:**

Councillor R Bennett

**Council Officials Present:**

Ms M Patterson, Chief Executive  
Ms S Fortune, Executive Director for Council Resources  
Mr D Proudfoot, Executive Director for Place  
Ms L Brown, Executive Director for Education and Children's Services  
Mr T Reid, Head of Infrastructure  
Ms S Saunders, Head of Communities  
Ms M Sullivan, Head of Development  
Ms W McGuire, Head of Housing  
Mr D Stainbank, Service Manager – Internal Audit  
Mr P Vestri, Service Manager – Policy, Improvement & Partnerships  
Mr S Kennedy - Emergency Planning, Risk and Resilience Officer  
Mr J Coutts, Service Manager – Community Housing & Homelessness  
Mr D Henderson, Interim Head of Finance  
Mr S Allan, Senior Auditor  
Mr I Gorman – Head of Operations, Adult Wellbeing  
Mr C Grilli, Service Manager – Governance, Council Resources  
Mr B Moffat, Service Manager – Transport & Waste, Infrastructure

**Clerk:**

Ms F Currie  
Ms M Scott (back up)

**Visitors Present:**

Ms E Scoburgh, Audit Scotland

**Apologies:**

Councillor Menzies

**Declarations of Interest:**

There were no declarations of interest recorded at the meeting.

## **1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 21 JUNE 2022**

The minutes of the Audit & Governance Committee from 21 June 2022 were approved.

Councillor McFarlane noted that she was not down as attending the previous meeting and instead there had been two Councillor Trotters recorded.

## **2. INTERNAL AUDIT REPORT – SEPTEMBER 2022**

A report was submitted by the Service Manager for Internal Audit, 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 2022/23 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit, spoke to internal audit reviews that had been carried out since the last meeting of the Audit & Governance Committee in detail. These were Waste Services Income, Finance Business Partners and Budget Monitoring and Performance Indicators.

Mr Stainbank summarised the main finding of the audits and noted that Waste Services Income was given an assessment of “limited assurance” and Finance Business Partners and Budget Monitoring and Performance Indicators were both given an assessment of “reasonable assurance”. Mr Stainbank then paused to allow for questions from Members.

Councillor Jardine asked how soon internal audit revisit items with an assessment of limited assurance and where does that sit in terms of coming back to this group. Mr Stainbank explained that they would go back and do a formal assessment of the actions at the stage when the actions are due to be implemented in full, in this case it would be by April 2023. Mr Stainbank added that a follow up report would be produced for the June 2023 committee to confirm implementation of the recommendations at that stage.

### **Waste Services Income**

In response to Councillor Bruce’s questions around trade waste, Mr Stainbank stated he wouldn’t refer to it as being “lost income” as there were particular issues over the last year in relation to staff resources which means they hadn’t followed up the income as promptly as would be appropriate. He added that until the process is followed to conclusion they could not conclude they had lost any income at this point. He confirmed this would be covered as part of the follow up.

Tom Reid, Head of Infrastructure stated it needed to be remembered that there was a significant staff loss in that period of audit and that it was not reflective of how the service normally operates. Mr Reid added that the service was also in business continuity and rolling out a new service but during that time the team still performed admirably. He noted that matters in the report would be looked at but it was a case of not having the capacity within the team to deliver the workflow so the financial matters outstanding were delayed rather than missed. Mr Reid added that there was no error made and these would have been caught up and he felt it was important that clarification was made carefully.

Mr Stainbank explained that there are processes in place to select particular firms to sell our recycling to with an understanding of where it is going and that it is going to appropriate elements. He added that this process is currently being updated to ensure

it is being sent to appropriate services but there was no evidence as part of the audit that this was not already the case.

Mr Reid reported that Mr Bruce Moffat, Service Manager – Transport & Waste, Infrastructure and the team put a great deal of work into the companies they operate with so the end use is paramount to drive the best value. He added that the glass would go straight into a manufacturing process as there is a demand for the feedstock. Mr Reid added that whenever possible significant work is done by Mr Moffat and the team to check licensing and operating standards and the outfall for material. He said one reason for the mitigation to the new system was for the high quality recycle hence income is up on where he expected but it will be around a years' time before he would know the full output but looked forward to being able to report on the success of both volume and income levels after that time.

In response to Councillor McLeod's question about his dual role of waste management and transport Mr Moffat explained that the services came together in 2019 and have since been through two service reviews which have adapted the service to the current structure. He added that the department were going through a service review period in 2021 which led to the delay in the appointment of officers. Mr Moffat stated that it was a challenge for the management but they still delivered and maintained front line services. Mr Moffat assured the committee that all aspects within the report had been duly noted and look to resolve them as a matter of importance. Mr Moffat concluded by saying a new officer has been recruited and will be in post by 10<sup>th</sup> October.

Mr Reid explained that performance indicators are collated by the service team and a sophisticated computer system that measures all materials in and out. He reported that an officer was available to Mr Moffat throughout the pandemic so they worked together on the turnover and how the service was operating. Mr Reid would then pick up with Mr Moffat at management meetings. Mr Reid noted that only 62% of staff were available throughout the business continuity period to maintain service provision.

In response to Councillor McLeod's questions about non-paying outstanding fees and holidays lets Mr Reid explained that a duty of care transfer is sent out to every commercial operator where they are given a choice is to either make an immediate full annual payment upfront or set up a standing order which would normally be tracked quarterly but the officer who managed this task was lost during the pandemic. If no payment had been received it would be reconciled, visits would be made and it could result in the service being suspended. Mr Reid stated that during the pandemic some companies presented reduced waste irregularly so the department took an operational approach and cleared this and the reconciliation was caught up later when staff were available. He added that historically a very small amount of businesses would either cancel their standing order or default on their payment terms which would be reconciled and chased in the appropriate manner.

Mr Moffat informed the committee that holiday lets were a recent addition to the waste services capture and it has now been agreed through the audit report to merge that into the same time frame as trade customers. Mr Moffat said holiday let customers were difficult to capture as a lot of properties were left inoperative. He said a lot of these holiday lets have come back into operation within the last 6 months so the team have begun capture the missed charges find a reason not to charge as they have been closed for a period of time.

### **Finance Business Partners and Budget Monitoring**

In response to Councillor McLeod's question regarding finance business partners David Henderson, Interim Head of Finance stated that the finance business partners

were part of the service account team who reported to the service account manager. They carry out budget monitoring in conjunction with services then that team would report to Mr Henderson when he returns to his substantive post in a few weeks.

### **Performance Indicators**

In response to Councillor McLeod's questions in regards to homelessness management data and fly tipping Mr Reid explained that the team looked at historic data and worked towards a target that would give an understanding to whether fly tipping was getting worse or improving. He added that this is linked in with the anti-social behaviour team and the police to look for patterns to target areas where they think fly tipping could be occurring on a regular basis. Mr Reid advised that targets set are not goals and instead he hoped to under achieve them which would mean the measures were working and public behaviour was adequate. He noted that quite often there is a pattern of commercial waste being dumped, often from Edinburgh which can be aligned with increased costs of disposal. Mr Reid stated he was happy to take more questions offline if further information is required.

James Coutts, Service Manager – Community Housing & Homelessness reported that the system does hold extensive historical data but as it is an Access database if you overwrite a particular date then it will only be the current date that's held.

Mr Stainbank referred Members to Appendix 2 which showed the progress report prepared to assist the committee on their remit to evaluate Internal Audit's work and measure progress against the annual audit plan 2022/23. There were no questions from committee members for Mr Stainbank.

Councillor McLeod thanked Mr Stainbank and staff for all the work done during a challenging time and expressed that he expected the dip shown within the report. Councillor McLeod added he was pleased the report had highlighted what was required.

### **Decision**

The committee agreed to note:

- i) the main findings and recommendations from the Internal Audit reports issued during the period from June 2022 to September 2022 as contained in Appendix 1;
- ii) Internal Audit's progress against the annual audit plan for 2022/23 as set out in Appendix 2.

### **3. INTERNAL AUDIT PLAN 2022/23**

A report was submitted by the Service Manager for Internal Audit, to inform the Committee of Internal Audit's operational plan for 2022/23, and confirm that no changes are proposed to the operational plan since it was approved by the Audit and Governance Committee in February 2022.

Mr Stainbank drew members' attention to sections 3.5 and 3.16 within the report and welcomed any questions but there were none put toward.

Councillor McLeod commented that he was glad Mr Stainbank highlighted the need for there to be flexibility for investigatory work when preparing the annual audit plan.

A vote was taken by roll call and the recommendation was approved unanimously.

### **Decision**

The Committee approved the Audit Plan for 2022/23.

#### **4. CIPFA PAPER INTERNAL AUDIT: UNTAPPED POTENTIAL**

A report was submitted by the Service Manager for Internal Audit, to review East Lothian Council's position in relation to the Chartered Institute of Public Finance and Accountancy (CIPFA) Thinks research paper 'Internal Audit: untapped potential'.

Mr Stainbank highlighted key sections of the report including an assessment of the Council's Internal Audit function and the requirements for an effective Internal Audit service. He outlined 6 key areas that should be covered to achieve an impactful Internal Audit function in the next three years.

In response to a question from Councillor McLeod Mr Stainbank stated that the Council had developed and invested in improving risk assessment and management and in developing a good risk matrix which was presented to Audit and Governance regularly. He added risk registers are presented on an annual basis and Internal Audit complete a review of risk management also on an annual basis. Mr Stainbank explained that Internal Audit was normally reporting reasonable or substantial assurance in respect of risk maturity so he hoped this reassured the committee that risk management is taken seriously.

Councillor Jardine commented that she was very pleased to see the report consolidating the Councils 'one council' approach and found it really helpful to see the principles of assurance and audit together. Councillor Jardine added that with our 'one council' approach it would be really helpful to embed some of these principles much more fundamentally across the Internal Audit process but also so other teams can value the role that it plays in making sure we all get the best value out of the resources we are responsible for providing.

Councillor McLeod echoed Councillor Jardine's comment adding that the report was well written with a lot of information to take in but he focused more on the information specific to East Lothian.

### **Decision**

Members agreed to note the paper.

#### **5. HOUSING ANNUAL ASSURANCE STATEMENT**

A report was submitted by the Executive Director for Place, remind the Audit and Governance Committee of the Scottish Housing Regulator's regulatory framework and in particular, the requirement for East Lothian Council to produce an Annual Assurance Statement and to obtain approval for East Lothian Council's Annual Assurance Statement.

James Coutts, Service Manager – Community Housing & Homelessness, spoke to the report which highlighted the areas of partial compliance. Mr Coutts summarised that the last year and a half had been challenging for the Council's Housing Service and there were times when the Scottish Government's response to the pandemic through legislation and guidance restricted the Council's ability to deliver some housing services. Mr Coutts stated the department were not of the view that these temporary restrictions were tantamount to any failure of the regulatory framework but a serious interruption in light of the most serious public health challenge of a generation and all

restrictions were put in place in advice with or instruction from the Scottish Government. Mr Coutts asked members to note that all housing services were now being delivered in full albeit in new ways and with full risk assessments in place. Mr Coutts was of the view that the department were compliant with the framework and the accompanying Internal Audit should give the committee the reassurance needed to approve the annual assurance statement.

Councillor McLeod queried the numbers of completed interlinked fire and heating alarms and electrical systems and also asked who was responsible for checking the private sector leasing properties the council are using. Wendy McGuire, Head of Housing advised that as of August 2022 out of 9000 properties 6% had not had the interlinked fire and heating systems fitted and 20% had not had a completed electrical safety inspection. Mrs McGuire did not have updated figures for the current month but she hoped they would have improved. Mrs McGuire informed Councillor McLeod that the Housing Options Team were in charge of the private sector leased properties and it was up to them to ensure they met requirements.

In response to Councillor Jardine's question Mr Coutts explained that as of the 31<sup>st</sup> August 2022 the Scottish Housing Regulator would have produced information across the whole of Scotland in terms of social landlord performance which had not been fully analysed yet but confirmed East Lothian were not outliers in any of the three areas of partial compliance.

In response to a question from Councillor Jardine Mr Coutts explained that they were in constant discussion with the regulator who were fairly understanding. Mr Coutts added that there was an engagement plan agreed with the regulator which was available on the Council website. Mr Coutts was unsure if the current submission changed the nature of the current engagement plan or brought about higher scrutiny as that would be a matter for the regulator. Mr Coutts stated that the regulator had not signalled any deep routed concern about where East Lothian was sitting or the pathway we were on. Mr Coutts noted that the Council flagged up early on in the process the challenges East Lothian were facing and it was particularly acute in respect of 1 bedroom demand. Mr Coutts confirmed people do occasionally have to be placed in bed and breakfasts and commercial hotels.

Recommendation iii was approved unanimously by roll call vote and all other recommendations were approved by general agreement.

### **Decision**

The Committee agreed to:

- i) That Audit and Governance Committee notes the regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council.
- ii) That Audit and Governance Committee note that the regulatory framework requires the submission of the AAS no later than the 31st October 2022. The AAS should highlight any areas of non-compliance that relate specifically to the impact of the Covid-19 pandemic.
- iii) That Audit and Governance Committee approves the Annual Assurance Statement as detailed in Appendix 1 noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2021/22 and was partially compliant for the first quarter of 2022/23. Areas of partial compliance are in relation to gas safety inspections, reporting against all the protected characteristic groups, interlinked fire alarms and electrical safety inspections and meeting the requirements of The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020.

## 6. HOUSING RISK REGISTER

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Housing Risk Register (Appendix 1) for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer spoke to the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Member's that the register included 1 Very High, 9 High, 8 Medium and 2 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee.

Mr Kennedy noted that he was happy to answer any questions on the format of the register or the analysis of risk and Mrs McGuire would answer any questions in relation to the context of the risk register.

Mrs McGuire, Head of Housing reported that there is currently 1 very high risk around homelessness and would like to pick up from the previous report that the housing service were facing challenges throughout the department particularly around meeting the Unsuitable Accommodation Order. Mrs McGuire added that she had clear aspirations to transform the existing way of working towards tackling and preventing homelessness and felt it was important to note the recent and planned legislative changes being an additional significant pressure and risk upon the team and these have been further exacerbated by the fast paced and changing situation in regards to Ukraine. Mrs McGuire stated there had been some blurring of policies around homelessness and the team had diverted away from their usual work so were having to be more reactive. She noted that the team were currently in business continuity and would continue to liaise closely with the Scottish Government in monitoring and reviewing that risk over the coming weeks.

There were no questions for Mr Kennedy or Mrs McGuire.

Councillor McLeod commented that Mr Kennedy had delivered a hard hitting report and the housing team have a tough job ahead of them but he had every confidence they will deliver.

### Decision

The Committee agreed to note the Housing Risk Register and in doing so, noted that:

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

## 7. DEVELOPMENT RISK REGISTER

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Development Risk Register (Appendix 1) for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer spoke to the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Member's that the register included 1 High, 4 Medium and 5 Low Risks. As per the Council's Risk Strategy, only the High risk would be reported to the Committee.

There were no questions or comments.

### **Decision**

The Committee agreed to note the Development 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 Development risks could be borne by the Council at this time in relation to the Council's appetite for risk.
- iii) although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer-term risks for Development and were likely to be a feature of the risk register over a number of years.

## **8. COMMUNITIES RISK REGISTER**

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Communities Risk Register (Appendix 1) for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer spoke to the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Member's that the register included 1 Very High, 5 High, 20 Medium and 9 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee.

There were no questions.

Councillor Jardine commented that this particular paper documented how complex the activity was in terms of making sure all risks and potential mitigating factors were taken into consideration. Councillor Jardine added that it was helpful to see the level of innovative thinking that went into trying to mitigate some of the risks and commended everyone for the quality of the report.

Councillor Trotter echoed Councillor Jardine's comment.

### **Decision**

The Committee agreed to note the Communities 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 Communities risks could be borne by the Council at this time in relation to the Council's appetite for risk.
- iii) although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer-term risks for Communities and were likely to be a feature of the risk register over a number of years.



## **9. LOCAL GOVERNMENT IN SCOTLAND: OVERVIEW 2022 (ACCOUNTS COMMISSION, MAY 2022)**

A report was submitted by the Executive Director of Council Resources to review the Accounts Commission report, 'Local Government in Scotland: Overview 2022.

Paolo Vestri, Service Manager, Policy, Improvement & Partnerships explained that the Accounts Commission published an annual review report based on findings and key issues that arise in the Annual Audits. He added we have traditionally presented the overview report to Audit and Governance Committee along with the covering report. Mr Vestri stated that this report provided a summary of key points in the Accounts Commission Overview report and provided some commentary in regards to the report's recommendations and key findings. The overview report this year was structured around three key themes which were detailed within the report along with a summary of the key findings around those key themes and the recommendations.

Mr Vestri reported that in regards to responding to the external environment there were 4 key issues raised; Proposal of the national care service, the impact of Brexit, Climate change and the impact of COVID.

Mr Vestri highlighted that those issues formed the bulk of the context for the Council plan that was previously approved by the Council. They were also reflected in the overarching objectives.

Mr Vestri noted the second theme of the overview report; Organising the Council which covered three issues; Leading Recovery and Renewal, Managing Resources and Managing Council Workforces

Mr Vestri stated Council finances had been significantly impacted by COVID and also caused long term funding uncertainty for local authorities. Mr Vestri added that the overview report also stated as well as increasing financial pressures they also faced continuing pressures in regards to managing their workforces.

Mr Vestri summarised the 9 recommendations made in the Accounts Commission report and stated East Lothian Council's position with regards to the recommendations.

Mr Vestri explained that the third theme of the overview report; Meeting Local Needs which covers the two issues of; the impact of COVID on services and inequality and collaboration with the communities. Mr Vestri summarised the recommendations made in the report and summarised the Council's position in regards to those recommendations.

Finally Mr Vestri made members aware the report included 26 questions based around the 7 themes highlighted in paragraph 3.25, for members to consider. It was suggested members should consider those questions around 'what do I know?' and 'do I need to ask further questions?'

There no questions or comments on this paper.

### **Decision**

The Committee agreed to:

- Note the findings and conclusions in the Accounts Commission report, Local Government in Scotland: Overview 2022.

- Note the recommendations made by the Account Commission and how the Council was already responding as detailed in the tables in paragraphs 3.18 and 3.24.
- Note the supplement to the Local Government in Scotland: Overview 2022 with 26 questions the Accounts Commission suggests elected members should consider and seek further information if required.

Signed

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Councillor Lee-Anne Menzies  
Convener of the Audit and Governance Committee

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