



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

**TUESDAY 19 FEBRUARY 2019
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

Committee Members Present:

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

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive
Ms A Macdonald, Acting Director, Health & Social Care Partnership
Mr D Proudfoot, Head of Development
Mr J Lamond, Head of Council Resources
Mr T Reid, Head of Infrastructure
Ms F Robertson, Head of Education
Ms J Tait, Head of Children and Adult Services
Mr P Iannetta, Service Manager – Engineering Services & Building Standards
Mr P Grant, Service Manager – Property Maintenance
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer
Mr S Allan, Senior Auditor
Mr A Steven, Senior Auditor
Mr P Moore, Senior Auditor
Ms W McNeish, HR Performance & Business Support Manager
Mr C Hall, Systems Development & Business Support Team Leader
Mr A McLellan, Senior Transport Officer

Clerk:

Ms A Smith

Visitors Present:

Ms E Scoburgh, Audit Scotland
Mr M Duff, Audit Scotland

Apologies:

Councillor S Currie
Councillor J Findlay
Councillor B Small

Declarations of Interest:

None

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 27 NOVEMBER 2018

The minutes of the Audit and Governance Committee meeting held on 27 November 2018 were approved as a true record.

2. INTERNAL AUDIT REPORT – FEBRUARY 2019

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. Mr Allan, along with Senior Auditors Andrew Steven and Peter Moore, summarised the main findings of each audit, highlighting areas with scope for improvement. Officers responded to questions from Members.

Disclosure Checks

Mr Allan clarified, in relation to grading queries, that PVG checking was potentially a high risk to the Council but the reason the grade was medium was that there were arrangements in place. He gave further detail of the process, advising that very tight controls were in place for employees but referred to the challenge in dealing with non-employees such as volunteers and agency workers. There were a number of different practices operating throughout different service areas. Andrew McLellan, Senior Transport Officer outlined the process in respect of the Transport Service area regarding PVG checking for drivers. Mr Allan clarified that exceptional circumstances in the agreed action at 3.5.1 (*page 14*) was a management comment in relation to Internal Audit's recommendation; it related to a particular example when someone was in the process of PVG checking whilst already working. Mr McLellan confirmed that a framework for providers was in place but added that this did not necessarily mean that the recruitment agency would have all the staff needed, so an approach may be required to another agency.

Mr Allan clarified that Internal Audit had not previously carried out an audit on Disclosure Checks but informed Members that Disclosure Scotland had done an audit in September 2016, which showed that the Council was fully compliant.

Jim Lamond, Head of Council Resources, referring to 3.4.1 (*page 13*) in relation to volunteers, remarked that the management side felt that all comments fed back had not been properly reflected in the agreed actions. Further work to finalise was required with Internal Audit, which could be done as part of the normal follow-up work. The Committee noted this.

Non-Domestic Rates Liability

Mr Steven stated that the Small Business Bonus Scheme had last been reviewed in 2014. Regarding the risk assessment of empty properties, he indicated this would be based on how much relief a property received and how long the property had been empty. He clarified that East Lothian had over 400 empty properties, which equated to around 12/13% of its stock. He reported that the Scottish Government had tightened legislation in 2016 in respect of empty properties to reduce the risk of abuse. Internal Audit recommended that regular monitoring of empty properties be carried out, which had been agreed by Management.

Windygoul Primary School

In relation to the grade, Mr Allan clarified that moderate was the middle grading out of five; he advised that many of the recommendations were quite detailed and most were already in place. Fiona Robertson, Head of Education, concurred with the findings. She informed Members that a new Principal Officer had been appointed who would be working with all staff across primary schools sharing best practice to ensure that this situation was not replicated in other schools.

Conflicts of Interest

The Convener remarked that it could be quite difficult to understand what a conflict of interest actually meant, perhaps more education on this was needed. Mr Allan referred to the framework that was being developed which would set out what may be a conflict of interest and would also promote awareness.

Contracts

Mr Moore clarified, in respect of dates of completion recorded as ongoing, that the issue related to getting contracts put in place. The Procurement Team now had a member of staff working solely with the service area to identify high priority areas first, but it would take some time. Paul Iannetta, Service Manager – Engineering Services & Building Standards, gave further details of the work being carried out by his service area in conjunction with the Procurement Team and the issues to be addressed. The Convener asked that progress be reported in due course.

Regarding grading, Mr Allan gave an explanation of the risk assessment and grading category. He confirmed that the £5,000 limit for quotes was in accordance with the Council's Corporate Procurement Procedures. Mr Lamond added that it was Council policy so there was discretion in setting that limit. He clarified that this limit had been in place for some time.

Mr Allan then took the Committee through the findings in respect of Internal Audit's recommendations to previously issued audit reports for 4 areas (Taxicard Scheme, Non-Residential Charging, ALEO (Enjoy East Lothian Limited) and Training). He informed Members that the date of completion for 3.2.1 (*page 49*) should read November 2018 not April 2018. He also drew attention to the Internal Audit progress report for 2018/19.

Decision

The Committee agreed to note:

- (i) the main findings and recommendations from Internal Audit reports issued during the period from December 2018 to February 2019 as contained in Appendix 1;
- (ii) the findings from Internal Audit's follow-up work as contained in Appendix 2;
- (iii) Internal Audit's progress against the annual audit plan for 2018/19 as set out in Appendix 3.

3. INTERNAL AUDIT PLAN 2019/20

A report was submitted by the Depute Chief Executive (Resources & People Services) informing the Audit and Governance Committee of Internal Audit's operational plan for 2019/20.

Mr Allan presented the report outlining the factors taken into account when preparing the annual audit plan, the procedures for undertaking reviews, the audit coverage and internal audit performance indicators. He informed Members that there were twenty financial and non-financial audits listed in the plan, ensuring a broad coverage.

Councillor Williamson asked how the number of weeks was calculated. Mr Allan advised that most audits were planned for 5 weeks, some audits took longer, some not as long but this was a reasonable estimate.

Responding to the Convener, Mr Allan advised that the 2019/20 plan had the same number of audits as the previous plan but the number of weeks had been reduced for some of the auditable areas.

Mr Allan, responding to questions about the length of time (20 weeks) for the Integration Joint Board (IJB) audit, advised that this covered three audits together with time for follow-up work and the preparation of the annual Internal Audit opinion and report. For the IJB, three audits were carried out annually by Internal Audit and one was carried out by the NHS Lothian Internal Audit team. Alison Macdonald, Acting Director of the Health and Social Care Partnership (HSCP), confirmed that this was a shared commitment across the Council and NHS Lothian.

Decision

The Committee approved the Audit Plan for 2019/20.

4. ANNUAL AUDIT PLAN 2018/19

A report was submitted by Audit Scotland setting out the terms of the 2018/19 Annual Audit Plan.

Esther Scoburgh from Audit Scotland presented the report. She provided Members with an overview of the audit plan including the key audit risks and planned works. She drew specific attention to the Dr Bruce Fund and to the proposed audit fee. She advised that follow-up work would be carried out in relation to the Best Value Assurance report.

Responding to questions from Councillor McLeod about ongoing assessment of the IJB's financial position, Ms Scoburgh clarified that Audit Scotland attended the IJB Audit and Risk Committees, in addition monitoring took place throughout the year and meetings took place with the IJB Finance Officer on a regular basis. Audit Scotland was aware, throughout the year, of the financial situation. Mr Lamond added, from a Council perspective that this was referred to in the quarterly finance progress reports that went to Council; the Q3 2017/18 report had made specific mention to this.

The Convener queried how incorporation of best value was demonstrated. Ms Scoburgh advised that last year Audit Scotland had chosen specific areas to investigate/follow up; the work planned this year would focus of the Council's progress

towards implementing last year's recommendations. She drew attention to paragraph 40 on page 77, which gave further information on the process that would be followed.

Decision

The Committee agreed to note the contents of the report and the proposed audit fee.

5. HEALTH AND SOCIAL CARE RISK REGISTER

A report was submitted by the Chief Executive presenting the Health and Social Care 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 Health and Social Care Risk Register contained 9 High risks, 11 Medium risks and 2 Low risks. As per the Council's Risk Strategy only the Very High and High risks were being reported to the Committee.

Councillor Williamson, referring to risk H&SC2 (*Access to Primary Medical Services*), queried whether the Riverside Medical Practice in Musselburgh should be included, alluding to dissatisfaction expressed by constituents. Ms Macdonald noted the point. She referred to the Primary Care Improvement Plan advising that the HSCP was working collaboratively with medical practices to improve access to primary care. She indicated that 100% of same day access requests were now being met. She advised that improvements suggested that this particular medical practice did not need to be included in the register.

In response to questions from Councillor Mackie relating to risk H&SC7 (*Staff Resource*), Ms Macdonald stated that generally recruitment in East Lothian was positive. She reported that different ways of getting young people into this sector were currently being explored, including the Modern Apprentice Scheme.

The Convener asked for further details regarding risk H&SC8 (*Specific Non-Compliance with GDPR*). Ms Macdonald advised that this related to a specific risk with payment cards; the supplier was a third party US based processor, this matter had been checked through with Legal Services.

Responding to a further question from the Convener about risk H&SC6 (*Public Protection*), Ms Macdonald advised that this was under constant scrutiny; case reviews were carried out when/if required. If a recommendation came in or new guidance was issued then this would be dealt with accordingly.

Councillor McLeod referred to concerns raised regularly by constituents in relation to GP appointments. He indicated that Ms Macdonald would be attending local community meetings in his area in the near future in connection with this issue.

Decision

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

6. EDUCATION RISK REGISTER

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

Mr Kennedy presented the report referring to the general background provided in his introduction to the previous item. He advised Members that the Education Risk Register currently included 10 High risks, 6 Medium risks and 3 Low risks.

Ms Robertson responded to questions from Councillor McLeod regarding risk ED1 (*Workforce Recruitment and Retention*). She stated that work continued on an ongoing basis to mitigate against this risk becoming very high. She outlined the range of schemes/programmes in place, advising that bringing in new ways of learning, being creative and looking at possible solutions were being done; there were a raft of strategies in place.

Councillor Mackie, referring to risk ED2 (*Expansion of Early Learning and Childcare to 1140 hours*), queried the biggest challenge. Ms Robertson indicated this was physical space. She referred to the connection to growth through the Local Development Plan. Strong governance arrangements were in place through the 1140 hours Project Board. There was a clear programme of expansion, which had to be taken into account when school extensions were taking place but she added that parental choice had also to be considered. She stressed the complexity of the 1140 hours expansion programme.

Ms Robertson, responding to questions from Councillor Mackie about risk ED7 (*Educational Attainment*), confirmed that young people in East Lothian were receiving the level and quality of education required. She drew attention to the peer review system, to self-evaluation by teaching staff and to the strengthening of quality assurance monitoring to ensure educational attainment across all schools. Councillor Mackie welcomed the communication with parents through the working group for Wallyford High School and asked if this would be continuing; Ms Robertson confirmed this would be continuing.

The Convener, referring to risk ED3 (*Additional Support Needs (ASN)*) requested further clarification. Ms Robertson advised that it was highlighted as a risk because the range of needs was increasing but early identification helped inform intervention strategies. The service area worked closely with other groups/sectors, looking at joint intervention and partnership working to review the nature of specialist provision. In response to follow up questions, Ms Robertson clarified the position for children outwith the ASN grouping. She reported that the Council had been commended for its range of policies and adherence to the GIRFEC (Getting it Right for Every Child) agenda, stating that staff ensured that the needs for all children were met equitably.

Decision

The Committee agreed to note the Education Risk Register and in doing so 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 Education 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 Education and are likely to be a feature of the risk register over a number of years.

7. LOCAL GOVERNMENT IN SCOTLAND: FINANCIAL OVERVIEW (ACCOUNTS COMMISSION, NOVEMBER 2018)

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, '*Local Government in Scotland: Financial Overview 2017/18*'.

Mr Vestri presented the report explaining the background to the production of the Audit Scotland report and outlining the key findings and recommendations. He drew Members' attention to the Council's response to the recommendations, its financial position compared to other local authorities across the country and the financial outlook for local authorities. He referred to the IJB overview, which was a new section of the Audit Scotland report.

Councillor McLeod queried the information within Exhibit 2 (*section 10, page 123*) remarking that the red colour coding was misleading. Mr Lamond gave a detailed explanation of the figures. Ms Scoburgh indicated she would relay the comments on colour coding to the report authors.

In response to Councillor Williamson, Ms Scoburgh stated that Audit Scotland presented their report with recommendations. She stressed that Audit Scotland was an independent body, who also audited the Scottish Government. She clarified that there was engagement with the Scottish Government. Mr Lamond informed Members that despite one-year financial settlements, a 5-year financial strategy by the Scottish Government was a welcome step forward. It was also important to note that the Cabinet Secretary for Finance had given a pledge that in future, settlements to local government would be on a 3-year basis.

Councillor Dugdale requested further information about the Grant Aided Expenditure (*section 18, page 125*); Ms Scoburgh indicated she did not have this available but would relay this query to the report authors for a response.

In response to the Convener's query, Mr Lamond indicated that the Council's position as regards gross and net external debt compared to its annual income, Exhibit 8 (*page 133*), was as stated; this was in accordance with the financial strategy and was relative to the Council's financial circumstances.

Decision

The Committee agreed to note the contents of the report.

Signed

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Councillor Jane Henderson
Convener of the Audit and Governance Committee