

PERFORMANCE AND AUDIT SUB-COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 22 MAY 2017 AT 1800 HOURS IN ST JOSEPH'S LEISURE CENTRE, GRASSYARDS ROAD, KILMARNOCK

PRESENT: Independent Trustees Robin Hume, Jean Brown, June Minnery and Councillor Neil McGhee.

ATTENDING: John Griffiths, Chief Executive; Jackie Biggart, People and Finance Manager; Lorraine Russell, Senior Accountant; Chris Murphy, Sports and Community Venues Manager; Anneke Freel, Countryside Services Manager; Adam Geary, Cultural Services Manager; and Shirley Andrews, Training and Development Officer; all East Ayrshire Leisure Trust; and Gillian Hamilton, Democratic Services Officer, East Ayrshire Council.

ALSO ATTENDING: Laura Miller, Senior Auditor, East Ayrshire Council

CHAIR: Independent Trustee Robin Hume.

DECLARATIONS OF INTEREST

1. No declarations of interest were intimated.

MINUTES OF PREVIOUS MEETING

2. There were submitted and approved as a correct record the Minutes of the Performance and Audit Sub-Committee meeting held on 13 February 2017 (circulated).

INTERNAL AUDIT REPORT

3. There was submitted a report dated 5 April 2017 (circulated) by the People and Finance Manager which provided Trustees with an update following the completion of the Internal Audit Programme for 2016/17 and provided details of the proposed Internal Audit Programme for 2017/18 for consideration and approval. The report also provided details of two separate visits from HMRC focusing on PAYE and VAT.

It was noted that Elizabeth Young, who was unable to attend the meeting, had submitted electronically in advance of the meeting a number of comments on the meeting pack, including the Internal Audit Programmes for 2016/17 and 2017/18. The Chief Executive would arrange for a detailed response to be provided direct to Elizabeth on the matters raised, incorporating the discussion which took place at the meeting, summarised below. A copy would also be circulated to all other Trustees (copy attached):-

- no substantial changes made during the year to the Audit Plan 2016/17;
- one assignment (advisory) did not take place – Programme Development/Event Selection. Deferred to 2017/18. Chief Auditor has discretion to make changes to Audit Plan when necessary;
- 25 days audit coverage achieved before 2016/17 year end;
- any changes to Audit Plan reported by exception;
- make-up and operation of Performance and Audit Sub Committee to be picked up at AGM;
- no requirement for Internal Audit to provide annual report;

- Internal Audit is PSIAS compliant, assessed by Audit Scotland until 2016/17 and will be assessed by Deloitte LLP going forward;
- small change in assignment allocations as a result of additional recommendations within the follow-ups for Hospitality and Box Office;
- 10 days on risk governance/risk management is indicative/tight. Assurance on where we are with governance and risk, and advisory/self-assessment to add value. Revisit when new guidance published by OSCR and to assist with integration with Kilmarnock Leisure Centre Trust;
- ongoing work with Council on GDPR (general data protection regulations);
- location audit at Loudoun was needed on this occasion for assurance (new process, new facility for Trust and booking system);
- any new risks to be considered have arisen from risk identified within the new risk register such as repair and maintenance monitoring in Q1 report;
- progress report – revised format. Matrix in follow up-reports assess risk. Similar level of importance. Area not re-audited;
- timescale given by management is indicative. Limited benefit putting into follow-up. Factors affect implementation of recommendations. Anything not implemented has management assurance statement;
- some issues still outstanding – eg data protection – more critical comment would have been useful;
- Trust benefits from other audit activity eg payroll and ongoing advice. More to it than audit days. Chief Executive comfortable with service level and added extras;
- follow-up Auchinleck location audit – recommendations fully implemented;
- follow-up Palace Theatre Hospitality Stock Control – 56% implemented, 38% partially implemented and 6% not implemented. Automated stock control system being put in place. Early follow-up. No time for new system to bed in. Well on the way for implementation by 1 June 2017; and
- follow-up Ticketing and Booking System – now have in-house system to report on all training. Update of IT Disaster Recovery Plan not completed. To be taken forward and updates provided on the state of implementation, as appropriate.

It was agreed:

- (i) to note the content and the findings of the follow up audits carried out by East Ayrshire Council's Internal Audit Service;
- (ii) to approve the proposed Internal Audit Programme 2017/18, including the roll forward of Programme Development/Event Selection;
- (iii) to note the requirement for tax to be paid with regards to Staff Recognition Awards (East Ayrshire Leisure Trust would pick up this cost) and Let's Connect Scheme;
- (iv) that Trustees be advised timeously regarding any future reviews by HMRC; and
- (v) otherwise, to note the contents of the report.

4. There was submitted a report dated 8 May 2017 (circulated) by the Chief Executive which provided details of the Trust's performance for the financial year 2016/17, including Q4 2016/17. The results showed sound financial performance with steady progress on increasing attendances at core venues despite challenging financial and economic circumstances.

It was agreed:-

- (i) to approve the Annual Performance Report for 2016/17;
- (ii) to note that 89% of EAGER's were now completed across the organisation. Recording could be subject to delay pending return of forms. Trigger dates have been introduced for the next scheduled reviews and any lapses would be chased up. Long-term absences had to be factored in as EAGER reviews could not be undertaken when staff were off sick. Reviews were undertaken on an individual employee (not group) basis. The Sub Committee congratulated East Ayrshire on the strong performance in relation to EAGER reviews;
- (iii) to note the overall favourable variance of £61,760 achieved in 2016/17;
- (iv) to note the increased income generation in cultural services through good ticket sales and event hire in performing arts venues and youth theatre and increased hospitality income. Libraries had also achieved increased sales across DVD/audio budgets;
- (v) to note that the pension reserve figure was an estimate and the actual figure would be stated in the statutory accounts. Elizabeth Young had requested an explanation of the process which Lorraine Russell would provide direct;
- (vi) to approve the items for designation in table D of the report;
- (vii) to note the update in relation to the Dick Institute Project Café fit-out and that the delay was impacting on attendance target;
- (viii) to note that any funding from the Renewable Energy Fund for the 2016 Fireworks Display would go into reserves;
- (ix) to note the move to advance payment and "pay and play" to reduce/eliminate future debts identified for write-off. Any outstanding debts required to be paid prior to any new bookings being taken; and
- (x) otherwise, to note the contents of the report.

EXTERNAL AUDIT PLAN 2016/17

5. There was submitted a report dated 5 April 2017 (circulated) by the Chief Executive which presented the External Audit Plan for 2016/17 for noting by the Sub-Committee.

It was agreed:-

- (i) to note the External Audit Plan for 2016/17; and
- (ii) otherwise, to note the contents of the report.

STAFF RECOGNITION AWARDS

6. There was submitted a report dated 27 April 2017 (circulated) by the Chief Executive which provided details of nominations for the East Ayrshire Leisure's Staff Recognition Scheme for the period January to March 2017 for consideration.

It was agreed:-

- (i) to consider and approve the nominations for the external award of 'Delivering Excellent Customer Service' and the internal award of 'Going the Extra Mile';
- (ii) to note the intention to carry out more marketing and promotion of the Scheme;
- (iii) to note the new/updated nomination forms appended to the report which were already in circulation; and
- (iv) otherwise, to note the contents of the report.

DATES OF NEXT MEETINGS

5. Trust Board – 27 June 2017

Performance and Audit Sub-Committee – 21 August 2017

The meeting terminated at 1915 hours.

From: Fitzgerald, Carleen **On Behalf Of** Griffiths, John
Sent: 25 May 2017 15:50
To: 'Elizabeth Young' <Elizabeth.Young@scott-moncrieff.com>
Subject: RE: Tonight's P&A [PUBLIC]

CLASSIFICATION: PUBLIC

Elizabeth,

Please see comments in red:

- Page 4 (1.2) – Can you confirm the process for making changes to the IA Plan? My expectation (i.e. standard practice) is that proposed changes to an approved plan would be signed off by the P&A in advance of those being made. As Internal Audit should be reporting to the P&A and this was a specific area where committee members requested assurance be provided, I am concerned that this has not been discussed previously.
There was no change to the Internal Audit plan for 2016/17. The events process remained within the 2016/17 audit plan, as we remained ready to review the procedures if this arose as a matter of priority. However, it was agreed with EALT that this item could roll forward into 2017/18 and we had also exceeded the contracted 25 days audit without this assignment. Nonetheless, on the wider point of changes to the plan, there is scope within the PSIAS for the Chief Auditor to make these decisions, and there was no agreement in the support services agreement that this would require further approval. This is considered proportionate and appropriate to the size of the EALT audit plan. The plan exceeded the 25 days without this assignment, and anything over and above the 25 days is not billed for.
- Page 4 (2) – Reading this, it would appear that the only work IA have done all year is follow-up of previous audit recommendations. I would expect all previous IA recommendations to be followed up in total using 3-5 days max. What happened to the other 20 days? Can IA not provide a progress report explaining the audit coverage agreed versus what has actually been provided? This is required by a PSIAS (or CIIA) compliant IA team within their annual report (also not provided). Alternatively if internal audit are not intending to comply with internal audit standards this should be made clear to committee members.
The table below gives a comparison of the budget v actual assignment position for 2016/17. Internal Audit are and will remain PSIAS complaint. This has been confirmed by Audit Scotland year on year, and letters to that effect from Audit Scotland have been provided to EALT. Our new external auditors, Deloitte LLP, work slightly differently and they will conclude on our compliance when they produce their report for 2016/17. PSIAS compliance relates to public sector work, not charities, but we would adopt best practice where this is proportionate and appropriate to the size of the audit plan (i.e. 25 days for EALT). The support services agreement specifically states that an annual opinion would not be provided to the Trustees (nor have the Trust's external auditors ever contacted us to discuss our work). It is also worth noting that we have paid for an additional day's support for Scott Moncrieff to provide further support for follow up work still to take place for the box office assignment which is not being recharged to EALT.

Assignment	2016/17 Indicative Budget (Days)	2016/17 Revised Budget (Days)	2016/17 Actual (Days)	Comments
Programme Development / Events Selection	6	2	0	Deferred to 2017/18
FUR Box Office and Booking System (11 recs) - EAC	2	2	4	
FUR Box Office and Booking System (11 recs) - (OUTSOURCED)	5	5	7	At least 7, as that was position before final report
FUR Auchinleck Leisure Centre (5 recs)	2	2	2.5	
FUR Hospitality Service	5	9	16	When budget was set, had no anticipation of number of recommendations
ICSA Development / Overview of EALT Location Audits / Other support as required	5	5	0	See small advisory below for detail
	25	25	29.5	
Small Advisory			Hrs	
EALT Audit Plan 2016/17 and other issues			7.25	
EALT Governance Advice			2.0	
Various JB			0.5	
			9.75	

- Page 5 (3.2) – 10 days on governance/risk management seems excessive. The trust has recently gone through an extensive exercise to articulate risk appetite and review risk register format etc (albeit we are still waiting to see the output of that) – what exactly are IA intending to do in addition to that? Please can you also reference the guidance – I can't find any mention of recent changes to requirements on OSCR's website. I can't imagine that changes significant enough to warrant 10 days of audit effort haven't been discussed at all before.

While all items included in the audit plan are provided with an indicative budget allocation, on the contrary we feel that 10 days may be insufficient for the work we suggest this assignment will cover (detail will be specified at a later date when the assignment is planned in full and a brief agreed). The assignment considers the changes which may come from any revised management structure with the incorporation of the Galleon. It is anticipated there will be two elements to this assignment – an assurance piece to assess the current governance and risk arrangements, and a subsequent advisory piece to assist management in a level of self assessment with best practice going forward.

- Page 5 (3.2) – No mention of GDPR? Seems a major omission given it is such a key issue and will have a significant impact on EALT.

GDPR will be considered by the Council as a wider review (which EALT will benefit from) as there is a 20 day computer audit contingency within the Council's internal audit plan. This item was discussed at the planning of the EALT audit plan, however as EALT follow the same

processes and controls there would be no merit in an individual audit of the GDPR arrangements.

- Page 5 (3.2) – Did we not agree that location audits would be done by EALT staff from last year?
Location audits are being performed by EALT now, but this is a very recent development. While we cannot speak for the plans going forward, at the moment the addition of an Internal Audit location audit completes the picture on location audits (i.e. the two are intended to complement each other). It should also be noted that the primary reason for the Loudoun Leisure Centre being included in 2017/18 is due to it being the first leisure facility to introduce the event booking system.
- Last year I asked for the plan to be referenced against our risk register; this was put on hold pending the new risk register being agreed. I'm disappointed things haven't moved on – where are we with that and can you confirm that the plan will be referenced against it? It should be noted for the audit plan that the risk register was discussed at the time the plan was agreed. This is why we have included the property maintenance assignment in the plan. The only high risk in the register relates to the funding position and this is of limited audit scope and management are well cited on the issue.
- Page 15 – Rather than reproducing the detail of progress made against each individual recommendation, can we have an overall view on progress made, key themes/issues and perhaps highlight those high risk actions where minimal progress has been made? This would be far more useful to the reader as it would help us to understand the position more easily.
We have not received this feedback from any other clients, however as part of our continuous improvement a revised report template has been developed and will be used from 2017/18 onwards. This reduces the level of duplication between the report and the appendix. A summary of progress made will remain within the table in the report. The matrix provides the risk level of each recommendation and a conclusion on the implementation; nonetheless all recommendations should be considered important to have been raised as a recommendation in the first place. The follow up focusses purely on the recommendations previously made; we would not reissue another opinion on the area as we are not repeating the original assignment.
- Pages 17 – 25 – it would be useful to know what date the recommendations were due to be implemented i.e. how overdue they are (if at all)
This has been discussed in the past for Council assignments and it has been agreed that this is of limited benefit, as the timescale provided by management is purely indicative and is for management to monitor. Follow up dates can be affected by a number of factors (including externalities outwith management's control). The follow up is a progress report at a point in time. A comparison can easily be made between the original report and the follow up report, and for any recommendations not implemented a revised due date is provided by management in their Client Assurance Statement.
- Page 33 (3.1.1) – Do EALT have an action plan to ensure GDPR compliance – perhaps aligning with EAC's if they have one?
New legislation May 2018. Policies and procedures currently mirror that of EAC, and Trust staff are actively involved in discussions/meetings and we will continue to work in tandem with EAC.

- Page 71 (4.3) – If I recall, we set the target at 95% rather than 100% to give management flex given the non-standard working arrangements of some EALT staff. 89% therefore seems low – what is the main reason this target hasn't been met? On the face of it, it seems unacceptable that 1 in 10 employees haven't had an appraisal during the year and I am keen to understand the reasons.
As of the P&SC meeting the percentage has increased slightly, nearer the 91% mark, this is a significant achievement. Long term absence and staff turnover are the main reasons for EAGER reviews not being completed.
- Page 81 – Good result on beating target on income by such a significant margin!
- Page 84 – I assume the pension reserve is an estimate?
Yes, this is an estimate. External Audit are in this week and will review and calculate any adjustment to the pension reserve.
- Page 85 – I don't understand the logic re depreciation draw down – surely this is double counting? (i.e. you are releasing twice the cost of items purchased)
Funds (equivalent to total cost) are allocated to Reserves at purchase point. As depreciation is charged each year the equivalent value is drawn down from Reserves.
- Page 88 – Can you confirm how this aligns with our reserves policy?
Policy states that reserves are at 3 – 5%, therefore the figures are within the boundaries of the agreed policy.
- Page 104 – When will get sight of the new risk register?
The new risk register will be used in the April to June 2017 Performance report which will be presented to the Performance and Audit Sub-Committee in August 2017.

Regards

John

Carleen Fitzgerald
Secretary to Chief Executive
East Ayrshire Leisure
Dower House
Dean Castle Country Park
Kilmarnock KA3 1XB
t. 01563 554720
w. eastayrshireleisure.com



From: Elizabeth Young [<mailto:Elizabeth.Young@scott-moncrieff.com>]

Sent: 22 May 2017 09:29

To: Robin Hume <robinjhume@gmail.com>

Cc: Griffiths, John <John.Griffiths@east-ayrshire.gov.uk>

Subject: Tonight's P&A

Hi Robin,

Hope you're well. I'm afraid I now have a late meeting this afternoon that may mean I miss some (or all) of tonight's meeting... As I'm sure you would expect, I have a lot of comments about the meeting pack and given the volume/importance of its content wanted to make sure these are covered in the meeting. I have copied them below and would appreciate if they could be raised for management/IA to answer tonight:

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I will try to make it for at least part of the meeting, so hopefully see you tonight!

Regards,
Elizabeth

Elizabeth Young