MINUTES OF MEETING of the AUDIT COMMITTEE of SOUTH LANARKSHIRE LEISURE AND CULTURE LIMITED held at EK Central Library at 2.30pm on Wednesday 21st June 2017

1. Sederunt
Alan Morrison (Chair)
Michael McGlynn
Lorraine Graham
In attendance:
Yvonne Douglas, Internal Audit Manager, South Lanarkshire Council
Paul Barton, Company Secretary, South Lanarkshire Leisure and Culture
Ellen Atkinson, Finance Manager, South Lanarkshire Leisure and Culture

2. Apology
Stephen Smellie

3. Minutes of Previous Meeting
Minutes for 15/02/17 meeting agreed and signed.

4. Internal Audit 1718 Plan
YD explained that the 1718 internal audit plan was not an activity report as stated on the agenda and circulated updated versions of this report to the attendees.
YD talked through the 1718 internal audit plan report and discussed the assignments to be undertaken in 1718 as detailed in appendix one of the report. There was discussion regarding the trading assignment and what would be looked at, namely vending and catering operations with work undertaken to look at reasons why gross profit percentages were so variant between establishments when expectation would be that they should be similar.
There was also some clarification that the museums assignment would include work on the inventory and anti-fraud review. MM enquired whether there was some British standard for recording inventory. PB responded that the Museums staff did apply a standard but couldn’t say if it was an actual British standard.
Noted and 1718 plan endorsed by the committee and referred to Board for approval.

5. Procurement Update
EA presented the quarterly procurement update report detailing the work undertaken by the Procurement Review Group in the period 1 January 2017 to 31 March 2017. Some brief discussion was had regarding the contract update section of the report. EA confirmed she had added a section to the report to provide an update on work from the influencable spend report as discussed at the February meeting which would be included in future reports. EA then explained that the few actions which still remained outstanding from the procurement strategy action plan had been re-profiled to be completed during the 17/18 financial year and updates would be included in the future quarterly reports. Noted.

**6. Alliance Leisure Services Procurement**

PB presented the Alliance Services Procurement report detailing a new contract which SLLC has entered into, explaining that this was an attempt to reverse the trend of the reducing fitness membership income experienced in recent years. There is no risk in this contract to the Trust as Alliance are taking no payments up front and will only earn anything if they deliver an increase to the monthly direct debit beyond an agreed base level which has been agreed as the DD run figures on 1 July 2017. Some discussions were had around how this contract would operate. LG stated that she felt these tools were already in place but perhaps employees weren’t using them as they should. PB responded that it would be different tools which Alliance would train staff on relating to the areas of making the initial sale of a membership and also in the retention of that membership which was perhaps an area where staff needed refresher training. Alliance will aim to address the competition from the budget gyms.

AM enquired whether the company or SLLC could pull out of this contract at any point. PB explained that the contract was for three years with a potential one year extension and he felt that if SLLC wished to end the contract then we would have to be reasonable regarding any payment to do this due to Alliance’s costs incurred up front but felt that Alliance were more concerned with the consequences to the deal of facilities closing which showed that they were confident of growing the business and hence would be unlikely to wish to end the agreement. EA added that she thought all of this had been discussed with SLC procurement and Alliance when they were agreeing the terms and conditions of the contract.

MM then enquired if Alliance were undertaking marketing activities relating to the fitness side of the business and would this mean that there would be additional savings. PB advised that any saving which could be offered had already been included in recent exercises and that any saving in marketing expenditure would be diverted to other business areas to ensure achievement of savings already offered.

AM enquired about how the accounting side of this transaction would operate. PB explained that at the end of each month, SLLC would calculate how the DD value had changed on the previous month and work out what was due to Alliance. Alliance would then invoice for the agreed value due to them so it was essentially a profit share agreement and the VAT liability would then need to be considered. AM then stated that all these issues should be factored into any future Board reports to ensure the issue is fully understood by the members. Noted.

**7. Risk Register Review**

Due to the meeting running over-time, it was decided this item would be held over until the November meeting as the September agenda was full due to the accounts being tabled. There were also no significant changes being recommended. This was agreed.

**8. E-Procurement System Update**

EA talked through the e-procurement system report, explaining that an alternative solution has been investigated in case the e-procurement implementation doesn’t happen as such a system is needed to continue with the improvement work on the procurement agenda.
She explained she has researched the systems which other Trusts use via Sporta and it had come back that they were all using either Redro (which 3 Trust sites currently use but isn’t integrated with the ledger system) or PECOS which is a cloud based system backed by the Scottish Government, the preferred option. EA added that she had tried to enter discussion with the Scottish Government to find some more out about possible implementation and costs for the business case but they wouldn’t get into detail until SLC had confirmed it was OK. All that could be found out about costs is that there are implementation costs but no ongoing user costs. PB added that this may benefit SLC and SLLC in terms of resources and cost.

MM asked that PB liaise with Brian Teaz on this and keep him in the loop.

Noted.

**Date of Next Meeting**
The next meeting is scheduled for 6 September 2017 at 1.00pm.