MINUTES OF MEETING of the AUDIT COMMITTEE of SOUTH LANARKSHIRE LEISURE AND CULTURE LIMITED held at Hamilton Town House at 1.00pm on Wednesday 5th September 2018

1. Sederunt
   Alan Morrison (Chair)
   Cllr Lynne Naillon
   Cllr David McLachlan
   Lorraine Graham
   In attendance:
   Nick Bennett, Partner, Scott Moncrieff Chartered Accountants
   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

Apologies
   Michael McGlynn
   Stephen Smellie

2. Declarations of Interest
   None declared.

3. Minutes of Previous Meeting
   Minutes for meeting 23/5/18 agreed and signed.

Matters Arising
   None.

4. Internal Audit Report 2017/2018
   YD presented the report entitled “Internal Audit Report 2017/18”:

Points of note:

- Focus has been retained on financial controls.
- Section 6 of the report outlined the findings from the jobs undertaken in 1718.
- Section 7 provides the overall audit opinion for SLLC in 1718 which states that a reasonable level of assurance can be placed on the adequacy and effectiveness of SLLCs framework of governance, risk management, and control arrangements.

   LN enquired whether in the vending report it had been considered whether the vending machines were operating correctly. PB responded that the machines gave a reading for the number of vends made in
the period which would then be compared to the level of stock retained in the machine and where there were significant or sustained variances found, the supplier of the machine would be called in to check the machine operation.

LN then asked whether the differences were found to have escalated following the audit. PB confirmed that the differences hadn’t escalated but continued to be small, regular amounts.

LN asked how the cost of the internal audit (IA) investigation compared to the cost of the missing funds. YD responded she would calculate the IA cost (22 days noted at 9.1) but it would be disproportionate to missing funds as this type of job is done to make staff aware that such checks are undertaken and under-recoveries are not just accepted as being inherent in the process of operating vending machines.

Noted.

5. Annual Accounts SLLC & Audit 2017/18

PB presented the report entitled “Accounts 2017/18 -SLLC” detailing the financial position of SLLC as at 31/03/18.

Points of note:
- Reserves have decreased by £3K to balance the books
- The pension liability had converted to an asset and a restatement was required by the actuary due to the asset value being too low
- Restricted funds balance has decreased
- Designated funds balance has decreased

NB then presented the report entitled “Group audit management Report for year ended 31/3/18”

Point of note:
- Sections 3 & 4 – audit standards require 2 risks to be tested for as outlined. Incidences of neither were found
- Two Adjustments which were required were:
  - Section 5 point (24) – the pension fund valuation was restated because the actuary used forecasts in their report for asset values which were found to be materially different from the actual values at 31 March 2018. The asset value increased by £2.192M
  - Section 5 point (26) – the Charities Commission have advised that Gift Aid donations should only be recognised in the accounts in the year in which they are actually made. This resulted in an adjustment being required to restate the previous year results.

6. PB presented the report entitled “Accounts 2017/18 – SLL Trading LTD” detailing the financial position of the Trading company as at 31/03/18.

Point of note:
- The Gift aid changes highlighted in the SLLC report (4.1 of this report) have resulted in these accounts looking different from those distributed in previous years.
- Profits are decreasing year on year.

7. Quarterly Procurement Update

EA presented the report entitled “Procurement Review Quarterly Update” detailing the work undertaken by the procurement review group in the last three months.

Points to note:
- Eleven contracts awarded in the review period (six via QuickQuote and five via SLC).
- No contracts are currently advertised on QuickQuote.
- Currently 90 contracts on SLLC Contract register as at 31 July 2018.
- Four areas outlined in influenceable spend report are currently being worked on.
- New Procurement Strategy is almost at stage to be circulated for comment.
- Work is ongoing to reiterate the correct procedures re contract compliance with staff.

AM enquired why if iproc is not being implemented, it continues to be an outstanding audit action? YD responded that it would continue to be Internal Audit’s advice to install an eprocurement system as a matter of best practice. PB added that the delay was with SLC IT and the staff vacancies they currently had.

Noted.

8. **Alliance Contract Progress Report**

PB presented the report entitled “Alliance Leisure Service Contract Progress Report – one year” detailing the progress of the Alliance Leisure Contract.

Points to note:
- Actual fitness subscription income achieved from July 2017 to May 2018 has not declined in the first year of the contract.
- Happy with sustained position
- Annual figures were given:

  - Alliance Income £44,580.79
  - VAT Paid £8,916.16
  - SLLC Income £20,804.37

PB added that the current level of membership has been sustained against a background where the majority of other income streams are experiencing a general decline. Also, the budget gym market has become more cut throat with some of the smaller companies going out of business.

**Date of Next Meeting**
The next meeting is scheduled for 21 November 2018 at 1.30pm at (venue to be confirmed).