

## **AUDIT AND GOVERNANCE PANEL.**

Minutes of a remote meeting on 2 June 2021 at 10.00 a.m.

Present: Councillors Martin Dowey (Chair), Laura Brennan-Whitefield, Douglas Campbell, Alec Clark, Hugh Hunter, Lee Lyons, Helen Moonie and Arthur Spurling.

Attending: T. Eltringham, Director of Health and Social Care; T. Baulk, Head of Finance and ICT; J. Bradley, Assistant Director – People; M. Inglis, Head of Children’s Health, Care and Justice Service; W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service Lead – Corporate Accounting; C. Boyd, Service Lead – Risk & Safety; L. Miller, Chief Internal Auditor; D. Urquhart, Senior Investigations Officer, Internal Audit Corporate Fraud Team; and J. McClure, Committee Services Lead Officer.

### **Opening Remarks.**

The Chair took the sederunt and confirmed that today’s meeting was not open to the press and public, which was permissible under the COVID-19 legislation. He also confirmed to Members the procedures to conduct this meeting and that this meeting would be recorded for minuting purposes only.

He welcomed Councillor Brennan-Whitefield to her first meeting of this Panel and thanked Councillor Chris Cullen for his contribution whilst on the Panel and wished him well in his new role of Portfolio Holder.

### **1. Declarations of Interest.**

There were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors’ Code of Conduct.

### **2. Call-ins from Leadership Panel.**

The Panel noted that there were no call-ins from the Leadership Panel of 25 May 2021.

### **3. Minutes of Previous Meeting.**

The [Minutes](#) of the meeting of 24 March 2021 (issued) were submitted and approved.

#### 4. **Action Log and Work Programme.**

There was submitted an update of the [Action Log and Work Programme](#) for this Panel (issued).

The Head of Finance and ICT provided the Panel with an update on the status of the Action Log and Work Programme advising

- (1) that in relation to the Action Log, item 1 had now been completed and item 2 was being progressed and that future reporting would be through the Service and Performance Panel and the Leadership Panel; and
- (2) that with reference to the Work Programme, item 9 "Annual Accounts 2020/21" would be considered at a Special meeting of this Panel on 29 June 2021; and that item 11 "Audit Scotland : Local Government in Scotland Overview 2021" had been scheduled for this meeting of the Panel, however, as the report had only been published recently, it would now be considered at the meeting of 1 September 2021.

Following a question from a Member on whether the report entitled "Audit Scotland : Local Government in Scotland Overview 2021" had been deferred Scotland-wide, the Head of Finance and ICT advised that it had been anticipated that this report would be received earlier, however, it was received at the end of May 2021, therefore, he required time to review the report and bring this to Panel. He further advised that the report from Audit Scotland had been circulated to all Members last week, however, he would provide a covering report highlighting the significant issues within the report when it was being considered at this Panel. A Member requested that the Audit Scotland report be re-circulated and the Head of Finance and ICT confirmed that he would do this.

The Panel

**Decided:** to note the current status of the Action Log and Work Programme.

#### **External Audit Report**

#### 5. **External Audit Reports – Progress to 31 March 2021.**

There was submitted a [report](#) (issued) of 18 May 2021 by the Head of Finance and ICT providing an update on the progress that the Council was making in relation to external audit improvement actions.

Questions were raised in relation to:-

- (1) when the Best Value report would be available and the Head of Finance and ICT advised that Officers were currently discussing this with the Best Value Auditors and that work was progressing;
- (2) 2.2 "Financial sustainability – Transformation" and the 50% progress of this and the Head of Finance and ICT advised that the posts had now been filled and the successful candidates would be in post soon, however, he would request the Assistant Director – Place to provide an update to Panel Members;

- (3) 2.4 “Governance and transparency – governance and scrutiny arrangements” and whether the due date of 30 June 2021 was achievable; and the Service Lead – Democratic Governance advised that this referred to the requirement for the Panel to carry out a self-evaluation and that she would arrange this for immediately following summer recess; and
- (4) 2.5 “Governance and transparency – openness and transparency” and the progress made in relation to webcasting Council and Panel meetings; and the Head of Finance and ICT advised that meetings had now taken place with the IT company providing the service and that matters were progressing; and the Service Lead – Democratic Governance further advised that the Head of Legal, HR and Regulatory Services would be submitting a report to a future meeting of South Ayrshire Council regarding governance arrangements for Council and Panel meetings.

The Panel, having scrutinised the progress against the Council’s external audit improvement actions as presented in the report,

**Decided:** to note the contents of the report.

## **Internal Audit Report**

### **6. Internal Audit Annual Report 2020/21.**

There was submitted a [report](#) (issued) of 18 May 2021 by the Chief Internal Auditor presenting the annual report on the internal audit activity during 2020/21; and providing an independent opinion on the adequacy and effectiveness of the Council’s governance, risk management and internal control systems for the year ended 31 March 2021.

Questions were raised by Panel Members in relation to:-

- (1) 9.2. “the Corporate Fraud Team (CFT) being heavily involved in investigating anomalies identified during the pan-Ayrshire data matching exercise on COVID-19 grants led by East Ayrshire Council” and what the CFT’s involvement was and the Chief Internal Auditor advised that we provided the data sets to East Ayrshire Council who then co-ordinated the data matching exercise, and the results provided back to us for investigation. This involved various Council services and Covid-19 grants. The Chief Internal Auditor further advised that the National Fraud Initiative Covid-19 data matching had not resulted in many outcomes;
- (2) whether there was a risk of data breaches when conducting joint investigations, as outlined at (1) above and the Chief Internal Auditor advised that there had been no issues with GDPR and that she had requested services to ensure that all privacy notices included the use of data for the prevention and detection of fraud;
- (3) the planned days, actual days and variances in the analysis of audit days and why there were so many variances; and the Chief Internal Auditor advised that she had no concerns over the variances as her planning exercise commences in January of each year when she meets with Chief Officers and estimates the time required to complete each area of work which is only ‘indicative’ at that time; and that she constantly monitors these days to ensure the delivery of the overall internal audit plan;

- (4) the more significant variances in the analysis of audit days and the reason for these as the Panel had no comparators; and the Chief Internal Auditor advised that she could expand on this information in future progress reports if required; and
- (5) how this report tied in with External Audit; and the Chief Internal Auditor advised that the pandemic had accounted for some of the variances as a large amount of Council services had been heavily involved in Covid response matters; and that External Audit reviewed all Internal Audit reports and would review the Annual Report with a particular interest in the Council's response to the Covid pandemic.

The Panel

**Decided:** to note the contents of the report.

7. **Internal Audit – Progress Report (i) Progress of Annual Internal Audit Plan 2020/21; (ii) Progress of Annual Internal Audit Plan 2021/22; (iii) Implementation of Internal Audit Action Plans; and (iv) Quality Assurance and Improvement Programme – Exception Reporting.**

There was submitted a [report](#) (issued) of 18 April 2021 by the Chief Internal Auditor advising of internal audit's progress regarding the 2020/21 internal audit plan; progress regarding the 2021/22 internal audit plan; directorate progress in regard to the implementation of action plans; and exceptions in respect of the self-assessment of compliance with the Public Sector Internal Audit Standards (PSIAS).

Questions were raised by Panel Members in relation to:-

- (1) whether the actions that Lead Officers were requested to carry out had been complied with; and the Chief Internal Auditor advised that she had excellent relationships with officers in all Council Services; and that when work had been carried out on "red reports", this had resulted in stronger relationships with services and they had sought advice earlier from Internal Audit following the "red reports";
- (2) audit days that had been lost due to staff shortages and the Chief Internal Auditor referred to around 150 days currently lost due to staff absences, however, advised that Audit Glasgow would be providing assistance to cover some of this loss and some less time-critical matters would be deferred to next year, without deferring key risk-based audit assignments;
- (3) the number of actions within the report; the reason for the minor issues and resource issues, could systems be modified and improved; and could better use be made of Artificial Intelligence; and the Head of Finance and ICT advised that it was recognised that problems occurred with the main accounting system which had 17 actions against it which he was addressing and that Service Leads were aware of the issues; and that he was currently investigating Business Change to move from a manual, labour intensive, spreadsheet approach for budget monitoring purposes to a self service approach that facilitates the use of the main accounting systems in a better and smarter way;

- (4) Internal Audit's role in determining the outcome of processes and procedures, what happened at the conclusion and the effect on receiving services; and the Chief Internal Auditor advised that the Audit Plan was predicated on the Council Plan and that Internal Audit added value to the Council to help achieve its goals; and that she reviewed all areas in great detail and where there was a red report or a core system report, a formal follow-up review was carried out;
- (5) the Ayrshire Roads Alliance being audited by East Ayrshire Council and whether this Council received a breakdown of the findings; and the Chief Internal Auditor advised that a full report on this matter was submitted to all Elected Members;
- (6) whether the Chief Internal Auditor felt her work was recognised and acknowledged by Senior Officers as it was incumbent on them to recognise the importance of Internal Audit in allowing the Council to undertake its responsibilities in relation to Following the Public Pound; and the Chief Internal Auditor confirmed that her work was respected, she had good working relationships with services throughout the Council, that officers accepted and carried out the actions assigned to them; that there had been improvements made over the last few years; and that officers were now contacting Internal Audit for advice earlier in the audit process which was to be welcomed.

A member asked a question of the Chief Internal Auditor regarding ARA, and the Chief Internal Auditor confirmed she would speak to colleagues in East Ayrshire Council and respond to the Member in writing.

The Panel

**Decided:** to note the contents of the report.

## **8. Corporate Fraud Team – Activity Report.**

There was submitted a [report](#) (issued) of 18 May 2021 by the Chief Internal Auditor advising of the Corporate Fraud Team's (CFT) activity from 1 October 2020 to 31 March 2021.

Questions were raised by Panel Members in relation to:-

- (1) whether any businesses which had been closed prior to the pandemic had attempted to claim the business grant; and the Senior Investigations Officer advised that there had been cases where this had occurred, however these had been investigated and either not paid out or, if the payment had been made, a recovery process was undertaken; and that most fraudulent claims were by way of multiple claims from a premises where either one payment or no payment was due;
- (2) whether the stresses associated with the pandemic had been taken into account when investigating fraud in relation to tenants sub-letting Council houses and tenants absconding; and the Senior Investigations Officer advised that the situation had changed due to the pandemic and arrears had not been pursued during the period of lockdown, however, checks had continued again from Christmas 2020; and

- (3) the 28 Strategic Framework Business Fund cases (not included in the seven closed COVID-19 business grant investigations) referred through the CFT to Police Scotland for attempted fraud and not paid out by Economic Development Officers who were responsible for processing these applications; and the Senior Investigations Officer advised that these cases had been input separately and had been processed by the Economic Development Team and passed to the CFT for checking and, where applicable, to Police Scotland for investigation.

The Panel, having scrutinised the report

**Decided:** to note the contents of the report.

### **Other Governance Reports**

#### **9. Corporate Lets.**

There was submitted a [report](#) (issued) of 18 May 2021 by the Assistant Director – People providing an annual update in relation to requests for discretion to be applied to let charges from 1 April 2020 to 31 March 2021.

Questions were raised by Panel Members in relation to:-

- (1) there being only one application for discretion and whether people were aware of the opportunity to apply for discretion; and the Assistant Director – People advised that, due to the pandemic and the number of people being permitted to meet being restricted, there had been very few bookings and only one retrospective application for discretion;
- (2) whether it was expected that there would be more applications for lets and discretion in future; and the Assistant Director – People advised that a lot more bookings were now expected and, as groups would be struggling financially, therefore, more would apply for discretion; and
- (3) the introduction of an increase in let charges without advising groups of the implication. The Assistant Director – People advised that this had happened in 2018 and that in 2019 new proposals had been agreed by members when the new policy was introduced that specifically identified groups for whom let charges would be waived or kept to a minimum. She further advised that since the pandemic, only limited outdoor lets had been taking place and it had been recognised that groups would struggle financially, therefore fees had remained at the previous rates and would be raised in line with the policy after the Summer period, should lets return to normal; and she confirmed that the fees and details for applying for discretion had been issued to all lessees.

The Panel, having considered the report,

**Decided:** noted the annual update in relation to requests for discretion to be applied to let charges from 1 April 2020 to 31 March 2021.

## 10. **Delivering Good Governance – 2020/21 Assessment.**

There was submitted a [report](#) (issued) of 25 May 2021 inviting Members to review the 2020/21 year-end assessment against the Council's Delivering Good Governance Framework.

A discussion took place following a query on the possible role of the power of wellbeing in relation to Core Principle A, Appendix1, Sub Principle" Respecting the rule of law".

Questions were raised by Members in relation to:-

- (1) Appendix 2, point 3 "Review of governance arrangements for Ayrshire Roads Alliance (ARA)" and why this matter had taken so long to reach this point and why the completion of the review had been delayed to December 2021; and the Service Lead – Democratic Governance advised that she would request the Head of Legal, HR and Regulatory Services to provide a written briefing to Panel Members on this matter; and
- (2) Appendix 2, point 4 "Development of a procedure to highlight difference engagement has made" and whether a policy was now being developed; and the Service Lead – Democratic Governance advised that she would request that the Director - People provide a written briefing to Panel Members on this matter.

The Panel, having reviewed the report,

**Decided:** to agree the 2020/21 year-end assessment as set out in [Appendix 1](#) to this report.

### **Adjournment.**

The time being 11.25 a.m., the Panel adjourned for five minutes.

### **Resumption of Meeting.**

The meeting resumed at 11.30 a.m.

## 11. **Strategic Risk Management**

There was submitted a [report](#) (issued) of 18 May 2021 seeking approval for the revised Corporate Risk Management Strategy ([Appendix 1](#)) and update Panel on the reviewed Strategic Risk Register ([Appendix 2](#)) in line with the agreed reporting framework.

Questions were raised by Panel Members in relation to:-

- (1) the resilience demonstrated during the pandemic and whether this required to be built on; and the Service Lead – Risk & Safety advised that there had been an increased focus on resilience during the pandemic; that quarterly update reports were provided in relation to all services; that a report was submitted to the Ayrshire Shared Services Joint Committee on the work of the Civil Contingencies Team and that six monthly reports were produced on Business Continuity;
- (2) third sector support and the work of volunteers and where this sat on the Risk Register; and the Service Lead – Risk & Safety advised that this was not identified as a strategic risk; and that a great deal of multi-agency work took place through the Ayrshire Local Resilience Partnership;
- (3) the work of volunteers in rural areas; and the Service Lead – Risk & Safety advised that she undertook a lot of work with Community Resilience Groups in rural areas and that there was good partnership working with the Community Councils;
- (4) Risk 5 “Developing a Framework in Relation to Risk Around Drug Related Deaths” and how this was progressing; and the Director of Health and Social Care advised that this was a very significant issue; that there was a pan-Ayrshire collaboration working to reduce the risk of drug related deaths; that additional funds had been made available by the Scottish Government; and that he would be providing a briefing to the Integration Joint Board on this matter over the next few months and would provide a written briefing to Elected Members;
- (5) the impact on addicts of the lockdown; and the Director of Health and Social Care advised that there was no data available on this at present, however, the Scottish Government had provided additional resources to support those addicted to alcohol or drugs whose mental health had been affected by the lockdown;
- (6) Risk 10 “ICT Digital Resilience, Protection and Capability” and how often these plans were tested; and the Service Lead – Risk & Safety advised that she requested that the plans be reviewed on a six monthly basis and for each Service Lead to update the Business Continuity Plan against a range of criteria and to put in place arrangements should the situation arise; that particular services were selected and testing carried out twice a year; that the key issue at present was the potential for a national power outage over a number of days and the factors in place to respond to this; and that ICT tests had been carried out on disaster recovery; and
- (7) whether an update could be included in future reports outlining testing which had taken place throughout the year in relation to (6) above; and the Service Lead – Risk and Safety advised that she would include this in future reports.



The Panel, having thanked the Service Lead – Risk & Safety for her work on this matter,

**Decided:**

- (1) having reviewed the revised Corporate Risk Management Strategy (Appendix 1), to agree this Strategy;
- (2) to consider the reviewed Strategic Risk Register (Appendix 2) updated by Chief Officers; and
- (3) to note the 11 key risks and to endorse the work currently being undertaken or proposed by risk owners to mitigate these risks.

**12. Kinship Care Payments.**

There was submitted a [report](#) (issued) of 18 May 2021 providing assurances that the recommendations made in the Internal Audit report into Kinship Care Payments had been addressed.

The Head of Children’s Health, Care and Justice Service advised the Panel that the action marked in the report as having 80% progress was now completed and at 100% progress; and that pentana had been updated accordingly.

The Chair outlined that it was disappointing that this had occurred, however, he was pleased to note the changes made; and that it would be advantageous for the Panel to receive a further report following summer recess to ensure that all of Internal Audit’s recommendations had been fully implemented.

Questions were raised by Panel Members in relation to:-

- (1) “Information on public websites being updated” and whether steps had been taken to ensure that public websites were regularly updated; and the Head of Children’s Health, Care and Justice Service advised that the relevant officers would supply the Communications Officer with the correct information and she would ensure that the website was regularly updated accordingly;
- (2) how it was ensured that young people continued to be supported once they reached sixteen years of age; and the Head of Children’s Health, Care and Justice Service advised that he was guided by legislation; that Internal Audit had noted that an unauthorised payment had been made to a young person over sixteen years of age and that a tracker system had now been introduced to ensure this did not recur and to ensure that those entitled to payments were receiving them;
- (3) what assistance was given to young people over sixteen years of age to ensure that they were given the best possible opportunity to thrive; and the Head of Children’s Health, Care and Justice Service advised that some families did not require or want intervention for a child over 16; and that plans were based on the individual child’s needs;

- (4) Internal Audit flagging up problems in the review systems for younger people and child protection and whether other services had also been examined following this; and the Head of Children's Health, Care and Justice Service advised that a range of improvement actions were currently ongoing; and that 120 case files were currently being reviewed to ensure that works undertaken on these were appropriate; and the Director of Health and Social Care further advised that there was ongoing scrutiny and monitoring and regular reports compiled; and that additional resources had been provided for Adult Services; and
- (5) the robustness of the PVG checks; and the Head of Children's Health, Care and Justice Service advised that the number of checks had not been captured in the review; and that resources had now been provided to employ two additional members of staff to provide support and scrutiny, to ensure the safety of children.

The Panel, having considered the response to the Audit report and having thanked the Chief Internal Auditor and her staff and the Head of Children's Health, Care and Justice Services and his staff for their work on this matter,

**Decided:** to note the contents of the report.

The meeting ended at 12.15 p.m.