

CORPORATE AND COMMUNITY PLANNING
STANDING SCRUTINY PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr,
on 18th March 2010 at 9.00 a.m.

Present: Councillors Brian Connolly (Chair), Sandra Goldie, Bill Grant, John Hampton, Mairi Low, Helen Moonie, Alec Oattes and Mike Peddie.

Attending: A. Wilson, Head of HR and Organisational Development; V. Andrews, Head of Legal and Administration; D. Alexander, Head of Corporate Resources; J. McQuillan, Head of Property and Neighbourhood Services; H. McLaughlin, Audit Services/Programme Review Manager; W. Gray, Property and Asset Manager; T. Kennedy, Applications Support and Development Manager; P. Linton, Performance and Change Management Manager; D. Sherlock, Improvement Manager; A. MacLeod, Business and Performance Manager; C. Gardner, Senior Strategic Planning and Performance Management Officer; and E. Wyllie, Committee Administration Officer.

Also Attending: Robin Reid (Portfolio-holder of Resources and Performance); and Asif Haseeb, Senior Audit Manager, Audit Scotland.

1. Minutes of previous meetings.

Decided: to note the Minutes of the previous meeting and Special meeting of 18th February 2010 (issued).

AUDIT FUNCTION:-

2. Annual Audit Plan 2009/10.

There was submitted a report (issued) of 11th March 2010 by the Executive Director – Corporate Services

- (1) advising that Audit Scotland had analysed the risks facing the Council and had planned the audit work accordingly;
- (2) informing that the audit had gone beyond simply providing assurance on the financial statements and the organisation's internal control environment and outlining that the auditors were required to provide a view on performance, regularity and the organisation's use of resources; and
- (3) reporting that, in carrying out the audit, Audit Scotland had sought to gain assurance that the Council:-
 - (a) had good corporate governance arrangements in place which reflected the three fundamental principles of openness, integrity and accountability;
 - (b) had systems of recording and processing transactions which provided a sound basis for the preparation of financial statements and the effective management of its assets and interests;

- (c) prepared financial statements which gave a true and fair view of the financial position at 31st March 2010, and income and expenditure for the year then ended, in accordance with the Local Government (Scotland) Act 1973 and other applicable laws and regulations, including the 2009 "Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice" (the SORP);
- (d) had systems of internal control which provided an adequate means of preventing or detecting material misstatement, error, fraud or corruption;
- (e) complied with established policies, procedures, laws and regulations;
- (f) proactively managed and reviewed its performance in line with its strategic and operational objectives; and
- (g) had made proper arrangements for securing best value in its use of resources and was complying with its community planning duties.

Mr. Haseeb, Senior Audit Manager, Audit Scotland referred to the summary of planned audit activity for 2009/10, commented on the planned outputs and target delivery dates, outlined the audit fees for 2009/10 and highlighted that further information was contained within the Appendices attached to the report.

Various questions were raised by Members of the Panel in relation to:- the HRA balance and the level of uncommitted reserves; the Scottish Housing Quality Standard and targets; the Council's lack of an efficiency plan; group accounts; audit fees; the term 'materiality'; the asset register; the debtors' figure for community charge; and ways in which to address the issues relating to efficiency, financial and service plans and the role of this Panel in that regard and the Senior Audit Manager, Audit Scotland responded accordingly.

Decided:

- (i) to note the contents of the report;
- (ii) to approve the management assurances and planned audit action contained in Appendix A of the report; and
- (iii) to request regular updates on progress to future meetings of this Standing Scrutiny Panel.

3. Follow-up of External Audit Reports – Progress to 31st January 2010.

There was submitted a report (issued) of 9th March 2010 by the Executive Director – Corporate Services

- (1) providing an update on the progress that the Council had been making in overtaking its external audit improvement actions;
- (2) highlighting that, in terms of the fifty-five actions due to be completed by 31st January 2010, thirty-four had been delivered, eighteen were being progressed and three had not yet commenced; and
- (3) outlining the External Audit tasks due for completion after 31st January 2010.

A question was raised by a Member of the Panel in relation to the number of uncompleted tasks and tasks not yet started and the Head of Corporate Resources responded accordingly.

Decided:

- (a) to note the progress being made as outlined in Appendix 1 of the report; and
- (b) to agree that reports in a similar format be submitted to future meetings of this Panel.

4. Internal Audit Service – Annual Audit Plan 2009/10 – Progress Report.

With reference to the Minutes of 28th May 2009 (Page 312, paragraph 3), there was submitted a report (issued) of March 2010 by the Audit Services/Programme Review Manager advising

- (1) of the progress and current position of the Annual Audit Plan from 1st June 2009 to 26th February 2010 and outlining the productivity of the section; and
- (2) that a summary progress report showing actual activity, on a line by line basis against the original Audit Plan, was attached as an Appendix to the report.

Decided:

- (a) to note the progress of the Annual Audit Plan for 2009/10; and
- (b) to request that the Audit Services/Programme Review Manager submit similar reports to future meetings of this Panel.

5. Internal Audit Service – Follow-up of Internal Audit Reports – Progress Report.

There was submitted a report (issued) of March 2010 by the Audit Services/Programme Review Manager

- (1) advising of the current status of Departmental progress regarding the implementation of Action Plans contained within internal audit reports;
- (2) referring to the meeting of 26th March 2009 when it had been agreed that Directorates should submit written reports to future meetings of this Panel explaining the reason for requesting second or subsequent extensions of time to complete outstanding action plan points;
- (3) informing that, as at the cut-off date of 5th March 2010, six action plan points were outstanding as noted in CPMS, outlining that two of these were ongoing actions, i.e. continuous checks with no final dates but which were being carried out and reporting that the four remaining were extension requests as these were now at the second or subsequent request stage; and
- (4) intimating that since the previous meeting of this Panel, eight reports had been issued and that a summary of these reports had been included as Appendices to the report.

The Chair invited the Head of Property and Neighbourhood Services to provide a background for the reasons for a request for extension of time in respect of 'Trading Recharges to HRA' referred to in Appendix 1(b) of the report.

Various questions were raised by members of the Panel in relation to:- the Housing Business Plan; the HRA update and corporate working issues; the use of new technology; how to mitigate risk; vacancies; planned maintenance; and managing voids and the Property and Asset Manager responded accordingly.

Decided:

- (a) to note the progress of Directorates in the implementation of agreed action plan findings;
- (b) to approve the Directorate requests for extensions of time as outlined in Appendices 1(a) and 1(b) of the report to implement agreed internal audit action plans; and
- (c) to request that the Audit Services/Programme Review Manager submit reports to future meetings of this Panel.

WIDER SCRUTINY PANEL BUSINESS:-

6. Improvement Agenda Strand 8: Core ICT Systems.

There was submitted a joint report (issued) of 9th March 2010 by the Head of Corporate Resources and the Head of HR and Organisational Development

- (1) providing information on the progress being made in relation to Improvement Strand 8, the Council's Core ICT systems;
- (2) informing that Audit Scotland's Best Value report recommended that the Council should complete implementation of core ICT systems, including the financial ledger, human resources and i-procurement systems;
- (3) outlining the current status of activities supporting the improvement strand; and
- (4) advising of the next steps as follows:-
 - (a) replacement of all Cfacs ledger interfaces and retirement of the Cfacs ledger system with it being envisaged that the three remaining Cfacs interfaces would be replaced within the 2010-2011 financial year and reliance on Cfacs would be removed with full corporate implementation of the i-procurement system;
 - (b) roll out of the i-procurement system across the Council, following on from successful implementation within the Corporate Services directorate; and
 - (c) conclusion of the options appraisal which was ongoing in relation to the implementation, integration and development of Oracle HR and payroll systems with a report to be submitted to the meeting of the Leadership Panel on 13th April 2010 providing an outline on progress.

The Head of Corporate Resources gave a presentation in respect of Improvement Strand 8: Core ICT Systems when he outlined the background and provided information on:- the Oracle e-Business Suite; Oracle Financials; Oracle HR/Payroll and the next steps within the process.

Various questions and comments were raised by Members of the Panel in relation to:-

- Oracle financials:- use of local suppliers and businesses; sustainability issues; the benefits for audit purposes; system back-up arrangements; and the retirement of Cfacs systems and servers; and
- Oracle HR and payroll systems:- whether a cost benefits analysis had been undertaken for the four options; multi-shared services; opportunities for shared services within the three Ayrshire Councils; the capacity level and origins of Oracle; and the preferred option.

Officers responded accordingly on the various issues raised.

Decided: to note the current status and the next steps in relation to Improvement Strand 8.

During consideration of the foregoing item, Councillor Moonie left the meeting at 10.15 a.m. and Councillor Goldie at 10.45 a.m.

7. Panel Work Programme – Role of the Audit Panel Working Group.

Councillor Peddie provided an update on the current position in relation to the work of the Role of the Audit Panel Working Group and provided an update on the three following key issues being further explored:-

- (1) the need for a better understanding of the Standing Orders relating to the Audit function and that the Audit Services/Programme Review Manager would obtain examples from some other local authorities;
- (2) that the Audit Panel function should be more clearly set apart from the wider scrutiny business of this Standing Scrutiny Panel and ways in which this could be undertaken; and
- (3) that a tracking mechanism be implemented to allow issues raised at meetings to be actioned and the progress of actions monitored.

Decided: to note the current position and that a further update would be reported to a future meeting of this Panel

The meeting ended at 10.50 a.m.