

CORPORATE AND COMMUNITY PLANNING
STANDING SCRUTINY PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr,
on 27th January 2011 at 10.00 a.m.

- Present: Councillors Brian Connolly (Chair), Sandra Goldie, Bill Grant, John Hampton, Mairi Low, Helen Moonie, Alec Oattes and Mike Peddie.
- Attending: E. Howat, Executive Director – Corporate Services; V. Andrews, Head of Legal and Administration; C. Monaghan, Head of Policy, Performance and Communication; H. McLaughlin, Audit Services / Programme Review Manager; D. Sherlock, Improvement Manager; N. Hunter, Inspection and Quality Assurance Manager; and E. Wyllie, Committee Administration Officer.
- Also Attending: Councillor Robin Reid (Portfolio-holder for Resources and Performance), Asif Haseeb, Senior Audit Manager and Anne Cairns, Senior Auditor, Audit Scotland.

1. Minutes of previous meeting.

Decided: to note the Minutes of the previous meeting of 2nd December 2010 (issued).

AUDIT FUNCTION:-

2. Audit Scotland – South Ayrshire Council 2010/11 Audit – Review of Internal Audit.

There was submitted a report (issued) of January 2011 by the Audit Services / Programme Review Manager

- (1) reporting on the findings of the Audit Scotland review of Internal Audit in relation to their 2010/11 audit as contained within Appendix 1 of the report;
- (2) informing that the Auditors
 - (a) planned to place formal reliance on the work of internal audit, in terms of International Statement on Auditing 610 (considering the work of Internal Audit) for financial statements audit work, for selected aspects of the following areas being covered by Internal Audit:-
 - creditors – payments;
 - payroll – leavers;
 - council tax billing; and
 - housing rents – credit balances; and
 - (b) in terms of their wider scope of public audit, intended to obtain assurances from internal audit work for other aspects of their code responsibilities relating to a selection of statutory performance indicators; and
- (3) advising that the Auditors would continue to monitor and review completed internal audit assignments to ensure that work on which reliance was being placed was delivered by June 2011 with reports being finalised by the end of August 2011.

The Chair invited the Senior Audit Manager, Audit Scotland to comment on the report. Mr. Haseeb then reported on specific areas and commented that the period for 2010/11 was the final year of the five year appointment for the Auditors and that the Accounts Commission would be in discussion with the Council in the near future to advise on the next five year appointment of external auditors.

Decided: to note the contents of the Audit Scotland report and the fact that Audit Scotland would place reliance on internal audit work for 2010/11.

3. Internal Audit Service – Annual Audit Plan 2010/11 – Progress Report.

Reference was made to the Minutes of 20th May 2010 (Page 295, paragraph 11) and there was submitted a report (issued) of January 2011 by the Audit Services / Programme Review Manager

- (1) advising
 - (a) of the progress and current position of the Annual Audit Plan from 1st June to 31st December 2010 and outlining the productivity of the section; and
 - (b) 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; and
- (2) highlighting
 - (a) that during December 2010, staff of the section were heavily involved in two separate investigation exercises which diverted them from working directly on audit plan areas with this possibly resulting in a shortfall in time available to complete the overall plan;
 - (b) that, as part of the ongoing budget review, Members had approved work on the review of the Council's Corporate Governance arrangements and as part of that, there was a proposal that the staffing of Internal Audit be reduced by one officer to be effective by 1st April 2011 with this resulting in a reduction of the available resource required to complete the approved Annual Internal Audit Plan; and
 - (c) that, notwithstanding (2)(a) and (b) above, the Annual Plan would be adjusted to ensure that sufficient work was carried out on the main core systems section of the Audit Plan to ensure that an annual assurance statement could be provided to Members.

A full discussion took place in relation to the proposal to reduce the staffing level of Internal Audit and the impact this could have and the Audit Services/Programme Review Manager commented accordingly. The Executive Director – Corporate Services reminded Members that the Council had not yet made a decision in relation to this matter and advised of the intention that on completion of the review, which would not be completed in time for inclusion within the Council's forthcoming budget exercise, it would be submitted to a future meeting of this Panel for discussion with recommendations made to the Council thereafter. On this note, the Audit Services/Programme Review Manager advised Members that, at this stage in the process, he had to plan for both eventualities.

Decided:

- (i) to note the progress of the Annual Audit Plan for 2010/11;
- (ii) to request that the Audit Services/Programme Review Manager submit similar reports to future meetings of this Panel; and
- (iii) to note that the Internal Audit staffing review would be submitted to a future meeting of this Panel for discussion with recommendations being made to the Council thereafter for its consideration.

4. Internal Audit Service – Follow-up of Internal Audit Reports – Progress Reports.

There was submitted a report (issued) of January 2011 by the Audit Services / Programme Review Manager

- (1) advising of the current status of Directorate progress regarding the implementation of Action Plans contained within Internal Audit reports;
- (2) informing that, as at 14th January 2011, CPMS was showing five action plan points, due to be implemented by 30th November 2010, still outstanding;
- (3) highlighting that two of these had now been completed, two extension requests had been agreed with Internal Audit and the remaining action required a second extension of time which this Panel was required to consider, as outlined in Appendix 1 of the report; and
- (4) intimating that since the previous meeting of this Panel, seven reports had been issued and that a summary of these reports had been included as Appendices to the report.

The Executive Director – Corporate Services explained the reasons for the request for a second extension of time in relation to **Creditors Ordering I-Procurement** and

- (a) commented that, following on from revisions having been made to Standing Orders for Contracts over £30,000, further work was now required on the process relating to amounts under this figure; and
- (b) suggested that this could be a short piece of work for the newly formed Procurement Working Group to undertake in the first instance bearing in mind the intention to report on this matter to the meeting of the Leadership Panel on 19th April 2011.

Following discussion on this matter, various questions and comments were made by Members of the Panel in relation to:- obtaining assurances and whether this would be dependent on training and validation; risk management and risk mitigation; the timescales for this review; and the role of Internal Audit in terms of training and Officers responded accordingly.

Thereon, various questions were raised and comments made by Members of the Panel in relation to the following summary sheets:-

- **Leader Annual Review** – whether the agreed budget of £4,550,000 was Leader Project monies and not the Council's budget as suggested within the Appendix to the report;
- **Fleet Management Maintenance Contract** – which recommendation had not been accepted by Management; and
- **Asset Register** – whether this was related to property or included other assets.

The Audit Services / Programme Review Manager confirmed that it was Leader monies and that it was property assets and the Executive Director- Corporate Services clarified that in relation to **Changes to supplier bank details**, the summary should state that both recommendations had been accepted.

In relation to the **Fleet Management Maintenance Contract**, a discussion took place in respect of the reasons why management had not accepted one of the medium risk recommendations and the Audit Services / Programme Review Manager intimated that this was a procedural matter relating to a recommendation made by the Council at its Special Meeting on 16th September 2008 (Page 558, paragraph 7) in respect of the Traffic Commissioner. The Chair suggested that the Head of Planning and Enterprise should provide clarification to Members at the next meeting of this Panel.

Decided:

- (i) to note the progress of Directorates in the implementation of agreed Action Plan findings;
- (ii) to approve the Directorate extension request relating to Audit Report No. 2010/38 – Creditors Ordering I-Procurement (guidance for purchases of less than £30,000), as detailed within the report and Appendix 1 of the report and to note that the Procurement Working Group would undertake a review of this guidance;
- (iii) that the Head of Planning and Enterprise be requested to update the Panel at its next meeting in relation to the Fleet Management Maintenance Contract and the audit medium risk recommendation relating to the Traffic Commissioner; and
- (iv) otherwise, to request the Audit Services/Programme Review Manager to submit reports to future meetings of this Panel.

WIDER SCRUTINY PANEL BUSINESS:-

5. Roles of Members and Senior Officers.

There was submitted a report (issued) of January 2011 by the Head of Policy, Performance and Communication

- (1) providing an update on Improvement Strand 4 relating to the roles of Members and Senior Officers; and
- (2) advising that the Appendix to the report provided details of the Improvement Agenda for this Strand together with the update provided to Audit Scotland to support the revisit.

Various questions were raised by Members of the Panel in relation to:- the national CPD framework; the public's understanding of the Council's governance procedures; public perception and the media; engaging with the public and raising awareness; effective consultation methods; and ways in which to interact with members of the public and the Head of Policy, Performance and Communication responded to the various issues accordingly.

Decided: to note the contents of the report.

6. Panel Work Programme

(1) 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

- (a) advised that this Group, having examined various local authority handbooks, had agreed that the Orkney Islands Council handbook was a very good document although there were still some outstanding questions to work through, for instance issues relating to an independent assessment of risk management; and
- (b) indicated that he was now in a position to prepare a draft report with the Audit Services/Programme Review Manager being asked to comment on this draft prior to its submission to a future meeting of this Panel which would then make recommendations to the Leadership Panel.

Decided: to note the current position and that Councillor Peddie was now in the process of preparing a draft report to be submitted to a future meeting of this Panel for its discussion.

(2) Procurement Working Group.

The Executive Director – Corporate Services

- (a) referred to the discussion earlier on the Agenda in relation to the first task for this Working Group being a review of the guidance for purchases of less than £30,000 and advised that the Head of Corporate Resources would progress this issue with Members of this Working Group (including an invitation to the other Members of this Panel to attend if they so wished) with a timeframe to ensure that a report be submitted to the meeting of the Leadership Panel of 19th April 2011 via this Panel; and
- (b) advised that following completion of this work, the Head of Corporate Resources would give a presentation to the Working Group and provide a clear guide of Procurement issues so that Members could identify specific areas of interest for scoping out thereafter.

Councillor Moonie commented on the proposed work programme for this Working Group.

A question was raised by a Member of the Panel in relation to Scotland Excel and the Executive Director – Corporate Services responded accordingly.

Decided: to note the current position with the work programme for the Procurement Working Group.

The meeting ended at 11.25 a.m.