

CORPORATE AND COMMUNITY PLANNING
STANDING SCRUTINY PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr,
on 23rd February 2012 at 10.00 a.m.

- Present: Councillors Brian Connolly (Chair), Bill Grant, John Hampton, Mairi Low, Helen Moonie and Alec Oattes.
- Apologies: Councillors Sandra Goldie 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; R. Leitch, Information Security Officer; and E. Wyllie, Committee Services Officer.
- Also Attending: Councillor Robin Reid (Portfolio-holder); and S. Lawton and J. Cummings, Audit Scotland.

1. Item for Call-in.

The Panel noted that there had been no call-ins for this meeting.

2. Minutes of previous meeting.

Decided: to note the Minutes of the previous meeting of 26th January 2012 (issued).

AUDIT FUNCTION:-

3. Audit Scotland – South Ayrshire Council 2011/12 Audit – Review of Internal Audit.

There was submitted a report (issued) of February 2012 by the Audit Services / Programme Review Manager

- (1) reporting on the findings of the Audit Scotland review of Internal Audit in relation to their 2011/12 audit and informing that the report raised no improvement issues to be addressed by Internal Audit;
- (2) advising that Audit Scotland had concluded that they would place formal reliance on specified areas of internal audit work, both in relation to their work on financial statements and in relation to the wider scope of their audit responsibilities;
- (3) indicating that, in relation to the work on financial statements, they intended placing reliance on specific internal audit work as follows:-
 - capital accounting: contract monitoring;
 - cash income and banking: cash collection;
 - council tax: collection and refunds;
 - payroll: deductions;
 - housing rents: termination, allocations and exchanges; and
 - treasury management: loans and reporting;

- (4) informing that, in relation to the wider scope of their audit responsibilities they would place reliance on internal audit work on:-
- an agreed selection of statutory performance indicators;
 - members expenses; and
 - following the public pound: grants; and
- (5) highlighting that the work on payroll deductions, housing rents and treasury had been completed and reports had been issued with work on the other areas being completed in due course.

A question was raised by a Member of the Panel in relation to the transfer arrangements between Audit Teams and the External Auditor responded accordingly.

Decided: to note the contents of the Audit Scotland report and the fact that Audit Scotland would place reliance on internal audit work for 2011/12.

4. Your Business at Risk: Audit Scotland Survey.

There was submitted a report (issued) of 15th February 2012 by the Head of Policy, Performance and Communication

- (1) advising of the outcome of an Audit Scotland Survey relating to information security and to present the proposed action plan which had been agreed by the Council's Information Security Group;
- (2) informing that the report highlighted significant areas of good practice, however, the review also highlighted a lack of knowledge and awareness in a number of areas with these outlined in the action plan attached to the report as Appendix 2; and
- (3) reporting that many of the actions were associated with cultural change which was not particularly amenable to action planning and, therefore, proposing to provide an update to a relevant Panel in six months time.

Various questions were raised by Members of the Panel in relation to:- the survey findings and the sampling of staff; Data Protection issues; the need for an overview incorporating achievable targets at a reasonable cost; email exchanges and levels of classification; the management of confidential items; the need for guidelines and training for staff; and the types of risk. Various Officers responded accordingly and commented on the use of technology and the cultural changes required with the survey findings being used as a baseline.

Decided: having heard the Head of Policy, Performance and Communication advise that she would provide an update within six months

- (a) to note the outcome of the Audit Scotland Survey, as detailed in Appendix 1 of the report; and
- (b) to agree the associated Action Plan as detailed within Appendix 2 of the report.

WIDER SCRUTINY PANEL BUSINESS:-**5. Treasury and Investment Strategy Report 2012/13.**

There was submitted a report (issued) of 14th February 2012 by the Executive Director – Corporate Services

- (1) seeking approval for the proposed strategy for treasury management activities within the Council for the financial year 2012/13, as detailed within Appendix 1 of the report;
- (2) advising that the treasury strategy for 2012/13 would reflect decisions to be taken in light of interest rate forecasts and the Council's borrowing requirements and investment opportunities; and
- (3) indicating that the overall objectives for the Council's Treasury Management Strategy were as follows:-
 - (a) for borrowings:-
 - to minimise the revenue cost of borrowings;
 - to manage the Council's cash flow;
 - to manage the borrowing repayment profile;
 - to assess interest rates' movements and borrow / invest accordingly;
 - to monitor and review the level of variable rate loans held in order to take advantage of interest rate movements; and
 - to identify and evaluate opportunities for debt rescheduling; and
 - (b) for temporary investments:-
 - to protect capital security of the invested funds; and
 - to obtain the best market return available commensurate with protection of security and liquidity.

Various questions were raised by Members of the Panel in relation to:- the movement in the Capital Financing Requirement relating to debt amortisation and borrowing; whether low risk loans could be offered to other organisations; ways in which monies could be invested; the Icelandic Banks situation; the reasons for the external debt; whether the Auditors provided guidelines on appropriate limits and national debt/borrowing tables; and interest rates and the Executive Director – Corporate Services responded accordingly.

Decided: having heard the Chair, on behalf of the Panel, extend his appreciation of the work undertaken by the Treasury Manager in producing such an informative document, to recommend approval of the Annual Treasury Management Strategy for 2012/13 to the next meeting of the Council based on the specific approvals contained within Appendix 1 of the report as follows:-

- (i) the capital expenditure forecasts as outlined within paragraph 1.1;
- (ii) the capital financing requirement as outlined within paragraph 1.2;
- (iii) the financing cost / net revenue stream ratio as outlined within paragraph 1.3;
- (iv) net debt compared to capital financing requirement as outlined within paragraph 2.1;
- (v) operational boundary limit as outlined within paragraph 2.2(1);

- (vi) authorised limit as outlined within paragraph 2.2(2);
- (vii) interest rate exposure as outlined within paragraph 2.4;
- (viii) maturity structure of fixed interest rate borrowing as outlined within paragraph 2.4; and
- (ix) principle sums invested for greater than 364 days as outlined within paragraph 3.5.

6. Procurement Improvement Programme.

Reference was made to the Minutes of 26th May 2011 (Page 354, paragraph 8) and there was submitted a report (issued) of 15th February 2012 by the Head of Corporate Resources providing an update in relation to the Council's Procurement Improvement Programme and seeking endorsement for continuing improvements to procurement processes, approaches and outcomes across the Council.

Various comments were made by Members of the Panel in relation to the impressive improvements made to date and the Head of Corporate Resources responded accordingly.

Decided: having heard the Chair, on behalf of the Panel, extend his appreciation to the Procurement Team on these achievements to date

- (1) to note the progress being made in relation to the Council's Procurement Improvement Programme; and
- (2) to endorse the ongoing activity to further develop procurement capability across the Council.

7. Panel Work Programme – Procurement Working Group Update.

Reference was made to the Minutes of 26th January 2012 (Page 58, paragraph 7) in relation to the Procurement Working Group update when it was noted that a task pertaining to Community Benefit clauses would be reviewed by the Working Group and the Head of Corporate Resources

- (1) referred to a summary document on Community Benefits, the approach being adopted by other Councils and areas of best practice and provided an update on the current position and of the intention to focus on Kirkmichael Primary School as a pilot project study;
- (2) advised of forthcoming meetings with colleagues from Children and Community in respect of community benefits which could be introduced to this contract and could encompass aspects relating to construction, Curriculum for Excellence and apprenticeships within this regard; and
- (3) indicated that he would report the findings to a future meeting.

Decided: to note the current position.

The meeting ended at 11.00 a.m.