

## **AUDIT AND GOVERNANCE PANEL.**

Minutes of meeting in County Buildings, Wellington Square, Ayr  
on 11th September 2014 at 10.00 a.m.

Present: Councillors Brian Connolly (Chair), Andy Campbell, Douglas Campbell, Alec. Clark, Ian Cochrane and Brian McGinley.

Apologies: Councillors Ann Galbraith and John Hampton.

Attending: V. Andrews, Executive Director – Resources, Governance and Organisation; T. Baulk, Head of Finance and ICT; C. Monaghan, Head of Communities; D. Gillies, Head of Property and Risk; H. McLaughlin, Audit Services Programme Review Manager; Z. Brownlie, Procurement Manager; W. Phillips, Revenue and Benefits Manager; D. McNeill, Treasury Manager; C. Gardner, Senior Strategic Planning and Performance Management Officer; and E. Wyllie, Committee Services Officer.

Also Attending: Dave Richardson, Audit Manager; John Lincoln, Project Manager, Procurement; and Anne Cairns, Manager, Benefits (Technical) Audit Strategy, Audit Scotland.

### **Opening Remarks.**

The Chair welcomed everyone to the first meeting of this Panel.

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

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

#### **2. Panel Remit.**

There was submitted an excerpt from the Council's Scheme of Delegation (issued) ([link attached](#)) relating to the remit of this Panel.

The Panel, having heard the Executive Director – Resources, Governance and Organisation refer to the remit

**Decided:** to note the terms of the remit pertaining to this Panel.

#### **3. Work Programme and Action Plan.**

There was submitted a draft form (issued) ([link attached](#)) that could be used by this Panel to assist them in developing a Work Programme/Action Log.

Clarification was sought by Members of the Panel in relation to any outstanding actions from the former Panels and if these would be incorporated within the work programmes of the newly formed Panels. The role of covalent in terms of possible duplication of actions and also the role of Members with regard to covalent was discussed. It was noted that all of these points were being explored and it was the intention that the action log would be populated for the next meeting. The Executive Director – Resources, Governance and Organisation advised that any outstanding actions would be accounted for within the various Panels' action logs. It was also noted that Delivering Good Governance would pick up on some of these matters. In terms of the previous Scrutiny Reviews, it was noted that these had been concluded prior to the introduction of the new Panel system.

The Panel

**Decided:** to note that the Work Programme Action Plan would start to be populated for the next meeting and that this Programme would feature on the agenda for each meeting thereafter.

#### **AUDIT FUNCTION:-**

#### **4. Internal Audit – Progress Report – Follow-up of Internal Audit Action Plans.**

There was submitted a report (issued) ([link attached](#)) of 29th August 2014 by the Audit Services Programme Review Manager advising of Directorates' progress in regard to the implementation of action plans contained in internal audit reports as outlined in the appendices to the report.

The Panel

**Decided:**

- (1) to note the progress of Directorates in the implementation of the agreed action plan as outlined in paragraph 4 of the report; and
- (2) to request the Audit Services Programme Review Manager to submit agreed reports to future meetings of this Panel.

#### **5. Internal Audit Service – Annual Report 2013/14.**

There was submitted a report (issued) ([link attached](#)) of 1st September 2014 by the Audit Services Programme Review Manager advising of the work which had been carried out by the Internal Audit Service during 2013/14 as outlined in Appendix 1 of the report.

Clarification was sought in respect of three specific report descriptions which demonstrated an assurance level of none or limited but which were considered high risk and whether these three areas had now been concluded. The Audit Services Programme Review Manager confirmed that these were now completed and logged for their respective deadlines. In terms of the continuous audit review relating to duplicate payments, the role of the Oracle system was explained and it was noted that improvements in this area would be seen as the system settled down after some initial teething problems.

The Panel

**Decided:** to note the contents of this report and request the Audit Services Programme Review Manager to ensure that Internal Audit report on matters arising from work on the 2014/15 Annual Audit Plan.

## **6. Procurement in Councils – Outcome and Recommendations from Audit Scotland.**

Reference was made to the Minutes of the Corporate and Community Planning Standing Scrutiny Panel of 26th June 2014 (Page 4, paragraph 6) when that Panel had accepted the Audit Manager's offer for the report author from Audit Scotland to attend a future meeting of the Audit Committee to provide further detail and there was re-submitted a report (issued) ([link attached](#)) of 17th June 2014 by the Executive Director – Resources, Governance and Organisation advising of the outcome of the Audit Scotland Procurement in Councils report and subsequent recommendations.

By way of background, the Executive Director – Resources, Governance and Organisation explained that the previous Panel had been interested in finding out further information about the role of Members in the procurement process.

Thereon, the Chair welcomed and invited Dr. John Lincoln, Project Manager, Audit Scotland to give a presentation to the Panel. Dr. Lincoln circulated (tabled) presentation material and outlined the scale and variety of Council procurement processes as well as the role of Members and Officers in this regard and provided some examples of how procurement had been developed in other local authorities. He commented that South Ayrshire Council had made good progress with its procurement capability since 2009 and further added that all Councils needed to make use of national contracts with this Council doing fairly well in this area but that there was still scope for more use. He referred to Scotland Excel via the Procurement Compatibility Assessment and also to the Member's checklist appended to the report. In the case of South Ayrshire, he commented that a large proportion of spend associated with social and community care contracts were under the devolved management of the relevant service, therefore, outwith the influence of the centralised procurement team.

A full discussion took place and various comments were made in relation to:- social and community care contracts and devolved arrangements; the advantages of a centralised procurement team; collaborative spend and how this could help the local economy as well as produce savings; the need for continual monitoring of contracts once awarded; whether national collaboration aided or hindered the local economy; identifying procurement savings and measuring benefits; the role of Members and decision-making within procurement processes; community benefits; and whether contracts being awarded fitted with the Council's strategic priorities.

The Executive Director – Resources, Governance and Organisation provided an update on the centralised approach and commented on ongoing discussions in relation to both building and social / community care contracts which sat outwith due to their complex nature, however, there was an embedded approach to procurement. In terms of the Health and Social Care agenda, a model was being developed and joined up with NHS Ayrshire and Arran and would be the subject of a report to a future meeting of the Leadership Panel. She further commented that in terms of measuring the benefits of procurement, this issue would be explored as to how best to present this type of information to Members.

In terms of procurement reporting, it was noted that this information would be included within the Service and Improvements Plans being reported to the Service and Performance Panel; that procurement also featured as an improvement theme which was regularly reported to this Panel; and that this Panel also had a role to play in terms of scrutinising how the Council responded to audit reports and recommended action plans.

The Panel, having thanked Dr Lincoln for his presentation

**Decided:** to note the current position with procurement in councils.

## **7. Audit Scotland: Benefits Performance Audit Annual Update 2013/14.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Head of Finance and ICT advising of the outcome of Audit Scotland's benefits performance audit work in 2013/14.

The Chair welcomed and invited Anne Cairns, Manager, Benefits (Technical) Audit Strategy, Audit Scotland to give a presentation to the Panel. Thereon, Ms. Cairns give an overview of the key findings and the work of Audit Scotland in relation to this matter. In terms of the risk assessment action plan for South Ayrshire Council attached as an appendix to the report, the Revenues and Benefits Manager provided an update on the progress being made with each of the five identified areas.

Clarification was sought in relation to the use of temporary staff and the retention of experienced staff and it was noted that temporary staff had been absorbed into the benefits service workforce for 2014/15 and were assisting with general benefit determinations, Discretionary Housing Payments, Crisis Grants and Community Care grant applications. The use of temporary staff following training had been helpful, and this would be re-assessed for 2015/16 as funding was limited.

A question was asked by a Member of the Panel in relation to the migration from housing benefit to universal credit and whether claimants would be able to access computer terminals within communities to allow online claims to be made. It was noted that supporting vulnerable residents with complex needs to migrate to Universal Credit was part of the ongoing discussions between the DWP and the Council as part of Universal Credit delivery which would also involve local partners in the provision of such advice/support. In terms of information technology, it was noted that a welfare reform tracker referral proposal was being developed in conjunction with the DWP, whereby the system would enable partners to assist claimants through the development of a personal action plan to support the person by adopting a holistic approach.

In terms of the Customer Service Centres and the presentation of some difficult claimants, it was noted that this problem had been identified and that steps were in place to recruit staff to deal with such situations. The Executive Director – Resources, Governance and Organisation advised that this matter would continue to be assessed.

The Panel, having thanked Anne Cairns for her input

**Decided:**

- (1) to approve the contents of this report, together with the Council's updated action plan, of the ongoing progress being undertaken to address and reduce the risks identified during the performance audit; and

- (2) to request that the Head of Finance and ICT provided a further report to this Panel on the update requested by Audit Scotland by January 2015.

**8. Audit Scotland: Self-Directed Support.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Executive Director – Resources, Governance and Organisation advising of the findings and recommendations of a report by Audit Scotland regarding Self-Directed Support.

The Panel

**Decided:**

- (1) to note the key issues raised in the Audit Scotland report attached as Appendix 1 of this report; and
- (2) to agree that a further report be brought to a future meeting of this Panel with a draft Action Plan for approval, with progress in implementing the Action Plan to be reported to this Panel thereafter as part of the review of External Audit Reports.

**Variation in Order of Business.**

In terms of Council Standing Order No. 13.2, the Panel agreed to vary the order of business as hereinafter minuted.

**9. Audit Scotland: Annual Overview of Corporate Governance Arrangements 2013/14.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Executive Director – Resources, Governance and Organisation advising of the findings from the annual review of key financial systems within the Council.

The Chair welcomed and invited Dave Richardson, Audit Manager, Audit Scotland to present the findings to the Panel. Thereon, Mr. Richardson gave an overview of the key findings, referred to the Action Plan appended to the report and commented on the progress which had been made in this regard. In relation to the '*routine monitoring of decisions taken at council and committee meetings*' and with reference to the work programme and action log discussed earlier on the Agenda, the Audit Manager suggested that he could arrange to forward a copy of the work programme and action log utilised by Audit Scotland's Audit and Risk Committee for this Panel's interest. The Chair welcomed this suggestion and thanked the Audit Manager for this offer.

A comment was made by a Member of the Panel in relation to miscoding and whether this resulted in duplicate payments. Clarification was sought in respect of the Action Plan and whether all action dates had been met. It was noted that, apart from reconciliations which had an end date of 30th September 2014, all other actions had been undertaken and the status of these actions would form part of the follow-up of External Audit reporting submitted routinely to meetings of this Panel. In terms of the Asset Register and subsequent risk, it was noted that this reference did not relate to anything being missed off the Register but referred to the need for a systematic methodology to be in place to ensure an information flow from services to the asset keeper.

The Panel, having thanked Dave Richardson for his input

**Decided:**

- (1) to note the key issues raised by the Auditors;
- (2) to agree the Action Plan proposed at Appendix 1 of the report; and
- (3) to agree that progress in implementing the Action Plan be reported to this Panel as part of the review of External Audit reports.

**10. Audit Scotland: Major Capital Investment in Councils – A Targeted Follow-up Report.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Head of Property and Risk advising of the findings and recommendations of Audit Scotland's follow-up audit of major capital investment in Councils.

Clarification was sought and provided in relation to the current position with asset management and it was noted that the Plan would be presented to Council in December 2014. In terms of the action plan of improvements detailed at paragraph 26 on Page 9 of the Audit Scotland report, it was noted that various steps had already been implemented with the staffing structure now approved to further support these improvements.

A comment was made in respect of whether there was scope for a breakdown of the information provided within budgetary reporting relating to capital improvements and the Head of Property and Risk outlined the various steps of the cyclical process, framed around the Corporate Asset Management Plan and Service and Improvement Plan, which would provide such clarity. Further assurance was sought in relation to the opportunities for collaborative working on procurement issues and it was noted that a corporate approach was undertaken in this regard with procurement professionals becoming further embedded within operations.

The Panel

**Decided:**

- (1) to note the key issues raised by the Auditors;
- (2) to agree the Improvement Action Plan proposed at Appendix 1 of the report; and
- (3) to agree that progress in implementing the Action Plan be reported to this Panel as part of the review of External Audit reports.

**11. Follow-up of External Audit Reports – Progress to 30th June 2014.**

There was submitted a report (issued) ([link attached](#)) of 4th September 2014 by the Head of Communities outlining the progress that the Council had made in relation to external audit improvement actions.

Clarification was sought and provided in relation to the progress being made with Oracle with assistance from Consultants. It was noted that a training session was scheduled for the end of September and that some of the initial issues had related to software / user problems. It was further recognised that there were some compatibility issues with linking different products which required to be tested and issues resolved before going live. The timeframe for implementing different aspects of Oracle was sought and it was noted that Oracle updates would be provided to Members as part of the six-monthly updates against the appropriate Service and Improvement Plans.

The Panel, following review

**Decided:** to note the progress being made against the Council's external audit improvement actions as presented within the report.

## **GOVERNANCE FUNCTION:-**

### **12. Treasury Management Annual Report 2013/14.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Head of Finance and ICT presenting, in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of practice on Treasury Management, the Annual Report of treasury management activities for 2013/14 (attached as Appendix 1 of the report) and seeking approval of its content.

Clarification was sought and provided in relation to borrowing funds as well as debt repayments. In terms of the various ways in which to borrow, clarification was sought as to whether this was the best way forward and the Treasury Manager advised that each year the Council had both a borrowing requirement for new funding and also a schedule of loan repayments. Some of this debt included loans at interest rates higher than current rates but given the penalties of early repayment this was not a viable option at the moment to repay these. Some of the loans falling for repayment in the current year were also at rates higher than the Council average which would help reduce the overall loan charges.

A comment was made in respect of the position of the economy over the next few years and the Treasury Manager commented that long term rates had not increased from the 2012/13 to the 2013/14 strategy as interest rates had largely remained flat.

Clarification was sought in respect of the rationalisation of assets and when would be the best time for the Council to borrow and invest and the Treasury Manager explained that, although the Council was postponing borrowing externally from the money markets, this would not affect capital expenditure plans as the borrowing would become internal borrowing, for example, utilising the Council's own reserves and cash. This would remove the considerable cost of carrying the cost of the loans at say 4.5% and only receiving around 0.5% on the investment. The Treasury Manager advised this strategy was expected to remain in place whilst the Council was able to utilise cash and reserves.

The Panel, having considered the Annual Treasury Management Report 2013/14 attached as an appendix to the report

**Decided:** to agree to refer the Annual Treasury Management Report 2013/14 to the next meeting of the Council for its consideration.

### 13. **Delivering Good Governance.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Head of Communities informing of the Delivering Good Governance Framework used by the Council.

The Head of Communities suggested that, since Delivering Good Governance (DGG) had previously been under the remit of the former Scrutiny and Governance Management Panel, a workshop could be arranged for Members of this Panel to inform them of the DGG as well as present the outcomes from the recent Members' survey with a view to identifying any strengths and weaknesses.

Clarification was sought in relation to the progress being made with community engagement and the Head of Communities commented on the community engagement consultation process which had been undertaken in conjunction with the proposals for locality planning. In this regard, a Member of the Panel referred to some of the locality planning discussions and concerns made by some communities whereby they felt that their feedback was not being listened to and the Head of Communities indicated that she would feedback these concerns to the Director of Health and Social Care as locality planning came under his remit.

The Panel

#### **Decided:**

- (1) to note the existing Delivering Good Governance Framework as outlined in Appendix 1 of the report;
- (2) to request an update on progress against the 2014/15 improvement actions as outlined in Appendix 1 of the report to the next meeting of this Panel; and
- (3) to undertake a workshop session to examine the results of the 2014 Members' Survey on Delivering Good Governance as detailed within Appendix 2 of the report.

### 14. **Improvement Themes – Quarterly Update to 30th June 2014.**

There was submitted a report (issued) ([link attached](#)) of 3rd September 2014 by the Head of Communities outlining the latest quarterly update on the Council's Improvement themes to allow Members to review progress.

A general comment was made in relation to the improvement themes and what arrangements were in place to address any concerns over progress that were identified by the Panel. It was noted that any concerns were discussed at this Panel in the first instance with the opportunity for further information to be sought with scope for this to be submitted to the Leadership Panel as well. Further clarification was sought as to whether Members could ask for further reports if actions were not on target or causing concern and it was recognised that some of the current updates were lacking in detail and that this would be addressed as the format and presentation was further developed. It was also noted that it would be difficult to grade the sub-actions in terms of risk / importance however if these were off track then a narrative should explain the reasons and any potential implications.

A further general point was made in relation to the use of question marks made under some target columns and it was noted that this information derived from the Service and Improvement Plans where in a number of instances 2013/14 targets were not available or where no comparative data had been provided.

In terms of continuing to improve procurement, clarification was sought and provided in relation to the relatively low percentage target values associated with the Council spend actively influenced by a procurement professional.

A comment was made in relation to developing our workforce and maximising attendance. In this regard, it was noted that monitoring attendance at work would continue to be regularly reported upon to the Panel, as part of this quarterly reporting regime.

The Panel

**Decided:** having reviewed the progress achieved to date against the six themes as set out in Appendix 1 of the report, to note the current position with the quarterly update.

#### 15. **Audit Committee Handbook.**

Reference was made to the Minutes of South Ayrshire Council of 3rd July (Page 7, paragraph 8) and 19th August 2014 (Special) (Page 1, paragraph 4) and there was submitted a report (issued) ([link attached](#)) of 4th September 2014 by the Executive Director – Resources, Governance and Organisation seeking approval of a revised Audit Committee Handbook attached as Appendix 1 of the report.

The Executive Director – Resources, Governance and Organisation advised that no fundamental changes had been made to the Handbook, only revisions made by the Audit Services / Programme Review Manager to reflect the recent changes to the various Panels and their respective remits. The Audit Manager, Audit Scotland offered to look at this document and provide feedback to the next meeting of this Panel. The Panel welcomed this approach.

The Panel, having considered the updated Audit Committee Handbook

**Decided:** to note that the Audit Manager would review the content of the revised Handbook and provide feedback to the next meeting of this Panel for its consideration prior to the Handbook being submitted to the Leadership Panel, thereafter, for its consideration.

#### 16. **Scrutiny Handbook.**

Reference was made to the Minutes of South Ayrshire Council of 3rd July (Page 7, paragraph 8) and 19th August 2014 (Special) (Page 1, paragraph 4) and there was submitted a report (issued) ([link attached](#)) of 4th September 2014 by the Executive Director – Resources, Governance and Organisation seeking approval of a draft Scrutiny Handbook attached as Appendix 1 of the report.

The Executive Director- Resources, Governance and Organisation referred to the development of this Handbook and made particular reference to the petitions protocol included within the document and also commented that the scrutiny review section was currently under development.

The Panel

**Decided:** having considered the draft Scrutiny Handbook

- (1) to refer this draft document to the next meeting of the Leadership Panel for its consideration; and
- (2) to request Officers to continue to develop the section relating to Scrutiny Reviews for consideration at a future meeting.

The meeting ended at 1.05 p.m.