

**CORPORATE AND COMMUNITY PLANNING
STANDING SCRUTINY PANEL.**

Minutes of meeting in County Buildings, Wellington Square, Ayr,
on 30th January 2014 at 10.00 a.m.

- Present: Councillors Brian Connolly (Chair), Andy Campbell, Douglas Campbell, Alec. Clark, Ann Galbraith, John Hampton and Brian McGinley.
- Apology: Councillor Mary Kilpatrick.
- Attending: V. Andrews, Acting Executive Director – Resources, Governance and Organisation; C. Monaghan, Head of Policy, Community Planning and Public Affairs; H. McLaughlin, Audit Services Programme Review Manager; T. Baulk, Chief Accounting Officer; D. McNeill, Treasury Manager; W. Phillips, Revenues and Benefits Manager; and E. Wyllie, Committee Services Officer.
- Also Attending: Councillor Bill McIntosh (Portfolio-holder); and Alan MacKenzie, Auditor, Audit Scotland.

1. Declaration 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. Item for Call-in

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

3. Minutes of previous meeting.

Decided: to approve the Minutes of the previous meeting of 12th December 2013 (issued) ([link attached](#)).

AUDIT FUNCTION:-

4. Follow-up of External Audit Reports – Progress to 31st December 2013.

There was submitted a report (issued) ([link attached](#)) of 22nd January 2014 by the Head of Policy, Community Planning and Public Affairs providing an update on the progress being made in relation to external audit improvement actions.

In relation to community engagement and also the Draft Community Empowerment Bill, it was noted that planned management action would focus on two strands of community engagement, being a targeted approach for specific matters as well as incorporating routine interactions between staff and the general public. In terms of both incoming and outgoing consultations, it was suggested that a streamlined approach be adopted to ensure a meaningful process.

A discussion took place in relation to duplicate payments and how these occurred as well as the potential risk and safeguards in place via the Oracle P2P system. Officers explained the benefits of the new system currently being implemented and the steps being undertaken to reduce any possible risk of duplicate payments being made.

Clarification was sought in respect of exception reports and it was noted that the timeframe for project delivery was a reasonable estimate pending the introduction of the system.

In terms of performance management, clarification was sought and provided in relation to the methods of discussion with Members on the new reporting timescales and mechanisms as well as how this related to the Council's Business Plan and work being undertaken in this area.

The Panel

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

5. Internal Audit – Progress Report.

There was submitted a report (issued) ([link attached](#)) of January 2014 by the Audit Services Programme Review Manager advising of the current status of the annual internal audit plan for 2013/14 and also the Directorates' progress in regard to the implementation of action plans contained in internal audit reports as outlined in the appendices to the report.

The Audit Services Programme Review Manager advised that, since the Council were currently in the process of appointing a team to undertake work relating to the improvement theme of the systematic review of services, the Directorate Systems RGO Transforming Change entry would most likely be deferred to a future audit plan to allow time for the implementation and subsequent impact of this activity.

Clarification was sought and provided in relation to the risk associated with the action plan summary relating to housing rents, and 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;
- (2) to note the progress of the 2013/14 annual internal audit plan as shown in Appendix 2 of the report; and
- (3) to request the Audit Services Programme Review Manager to submit agreed reports to future meetings of this Standing Scrutiny Panel.

6. Public Sector Internal Audit Standards – External Assessment Proposal.

There was submitted a report (issued) ([link attached](#)) of January 2014 by the Audit Services Programme Review Manager advising of a proposal from the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) regarding a method of external assessment of the internal audit service and outlining the options in this regard.

A full discussion took place in relation to the options and the preferred option of SLACIAG, being a self-assessment with independent validation being undertaken by member authorities of SLACIAG on a broadly reciprocal arrangement as detailed within the Appendix of the report. Clarification was sought by a Member of the Panel in terms of this option and how independent and professional a reciprocal self-assessment approach could be. The Audit Services Programme Review Manager assured that he felt that this peer review approach was a reasonable proposal and that five year external assessments would be part of the proposed framework.

In respect of associated costs with these proposals, it was noted that there was minimum cost associated with the peer approach and that external verification could cost between £6k-£9k. A discussion took place in relation to the mandatory nature of the requirement for external quality assessment and the Audit Services Programme Review Manager explained the position and that around 90% of this compliance work was already being undertaken by the Internal Audit team.

The Panel

Decided: to agree to participation in the Scottish Local Authorities Chief Internal Auditors Group scheme, should it be established, for the external assessment of internal audit.

WIDER SCRUTINY PANEL BUSINESS:-

7. Treasury Management and Investment Strategy 2014/15.

There was submitted a report (issued) ([link attached](#)) of 22nd January 2014 by the Chief Accounting Officer seeking approval of the proposed treasury management and investment strategy within the Council for the financial year 2014/15, as attached at Appendix 1 of the report.

Clarification was sought and provided in relation to the estimated increase over the five year period for the projection in the general services budget and it was noted that slippage and capital were taken into account within this projection.

A discussion took place in relation to the level of financial reserves and the Borrowing Strategy and it was noted that a prudent and balanced approach to potential borrowing was made based on officer experience, judgment and advice from the Council's treasury consultants and taking cognisance of interest rates. It was also noted that work was ongoing to develop a longer term borrowing strategy.

In relation to the Investment Strategy, clarification was sought as to whether there were opportunities for lending to local housing associations to support new builds, it was noted that this was an area of work currently being explored and which would be reported to Members in due course.

The Panel, having thanked both Officers

Decided: to recommend approval of the Treasury Management and Investment Strategy for 2014/15 to the next meeting of the Council based on the specific approvals contained within Appendix 1 of the report as follows:-

- (1) the capital expenditure forecasts as outlined within paragraph 1.1;
- (2) the capital financing requirement as outlined within paragraph 1.2;
- (3) the financing cost / net revenue stream ratio as outlined within paragraph 1.3;
- (4) net debt compared to capital financing requirement as outlined within paragraph 2.1;
- (5) operational boundary limit as outlined within paragraph 2.2 (1);

- (6) authorised limit as outlined within paragraph 2.2 (2);
- (7) borrowing strategy - interest rate exposure as outlined within paragraph 2.4;
- (8) borrowing strategy - maturity structure of fixed interest rate borrowing as outlined within paragraph 2.4; and
- (9) investment strategy - principal sums invested for greater than 364 days as outlined within paragraph 3.5.

The meeting ended at 11.05 a.m.