

## **AUDIT AND GOVERNANCE PANEL.**

Minutes of meeting in County Buildings, Wellington Square, Ayr  
on 11th February 2015 at 10.00 a.m.

Present: Councillors Brian Connolly (Chair), Douglas Campbell, Alec. Clark, Ian Cochrane, Ann Galbraith, John Hampton and Brian McGinley.

Apology: Councillor Andy Campbell.

Attending: E. Howat, Chief Executive; V. Andrews, Executive Director – Resources, Governance and Organisation; T. Baulk, Head of Finance and ICT; R. Riddiough, Head of Legal and Democratic Services; M. Baker, Head of Policy and Performance; C. Monaghan, Head of Communities; D. Gillies, Head of Property and Risk; K. O'Hagan, Head of Employee and Customer Services, H. McLaughlin, Audit Services Programme Review Manager; B. Phillips, Revenues and Benefits Manager; D. Sherlock, Improvement Manager; C. Gardner, Senior Strategic Planning and Performance Management Officer; D. McNeill, Treasury Manager; and E. Wyllie, Committee Services Officer.

Also Attending: David Richardson, Senior Auditor, Audit Scotland.

### **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. Minutes.**

**Decided:** to approve the Minutes of [26th November 2014](#) (issued).

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

There was submitted an update of the Action Log and Work Programme for this Panel (issued) ([link attached](#)).

**Decided:** to note the current status of the Action Log and Work Programme.

### **4. Targeted Best Value Audit Work 2015.**

Reference was made to the meeting of the Leadership Panel of 20th January 2015 (Page 3, paragraph 5) and there was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Chief Executive allowing scrutiny of the draft Best Value Action Plan prior to its consideration by Council on 5th March 2015.

Having provided an update in relation to this matter, the Chief Executive also advised that the meeting scheduled for 24th February 2015 with the Accounts Commission was currently being re-arranged at the request of the Commission.

In terms of the Action Plan, the following issues were raised and discussed:-

In relation to the progress being made with the Business Improvement Team, it was noted that the Head of Policy and Performance was progressing this matter.

In respect of clarification relating to Action Point 5, the Chief Executive explained that there were no immediate plans for further management changes but that consideration would always be given to external support if required. In relation to Action Point 7 concerning service reviews, it was recognised that service reviews were currently underway with reporting mechanisms in place. Questions were asked in respect of Action Point 8 and the proposed action relating to further work on the respective roles of Elected Members and Officers. It was recognised that the recently held briefing by Improvement Scotland had considered this and the Chief Executive indicated that she would be happy to move forward with any ideas suggested by Panel Members.

The Panel

**Decided:** having considered the draft Action Plan attached as Appendix 1 of the report, to approve its content for consideration by the Best Value Working Group for inclusion in the final action plan to be submitted to the meeting of South Ayrshire Council being held on 5th March 2015.

## **AUDIT FUNCTION:-**

### **5. External Audit Reports – Progress to 31st December 2014.**

There was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Policy and Performance outlining the progress that the Council had made in relation to external audit improvement actions.

A general comment was made in relation to timescales and completion dates and a discussion took place in this regard. It was recognised that some problems arose with due dates when other external issues impacted on completion of the initial action point, one example being upgrades to Readsoft and Oracle R12 and information systems. It was noted that, where possible, a balanced and realistic approach was adopted when inserting due dates. In other cases, it was recognised that it would be prudent to return to Audit Scotland to reach a conclusion on some of these outstanding issues. Further comments were made in respect of associated risks and assessment of the balance between staff resources and action points and how these were prioritised. It was noted that the Executive Director – Resources, Governance and Organisation and the Head of Policy and Performance would explore these ideas further and also investigate which matters could be resolved, in conjunction with Audit Scotland where appropriate.

In relation to EA2014/01, comments were made regarding the recruitment exercise to appoint a Procurement Officer on a two year temporary contract and whether this process could be expedited and whether there was scope for the appointment to eventually be made permanent.

The Panel, following scrutiny

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

## 6. **Audit Scotland Report – Community Planning – Turning Ambition into Action.**

There was submitted a report (issued) ([link attached](#)) of 30th January 2015 by the Head of Communities advising of the main points raised in the recent Audit Scotland Report 'Community Planning – Turning Ambition into Action' published in November 2014 and attached as Appendix 2 of the report.

A discussion took place in relation to the relationship between the role of this Panel, Audit Scotland reporting and other Panels, in this case the Partnerships Panel, to undertake scrutiny on the findings of Audit Scotland and whether some sort of template for discussion would be useful.

It was suggested that Members of the Partnerships Panel might benefit from an informal workshop / briefing session on the Audit Scotland 'toolkit' contained in the report and Councillor Hampton, also Chair of the Partnerships Panel, welcomed the opportunity for a workshop session to be organised.

Further discussion took place in relation to community engagement strategies and community empowerment as well as funding opportunities. Also, comments were made in respect of collaborative approaches with prevention and early intervention and associated resources. On this note, a question was asked in relation to the short-life working group tasked with this approach. The Head of Communities advised of the membership of the short-life working group and outlined the proposals for strengthening community planning in South Ayrshire to ensure that prevention and early intervention approaches were incorporated from the start. It was recognised that this approach would also build an understanding into communities in relation to what the community planning partnership was all about.

The Panel

**Decided:** having considered the information and recommendations contained within the Audit Scotland Report, to refer this report to the Partnerships Panel which had a remit to scrutinise community planning.

## 7. **Audit Scotland: Benefits Performance Audit Annual Update 2014/15.**

There was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Finance and ICT advising of the performance update provided to Audit Scotland on the speed of processing housing benefit new claims and changes of circumstances for quarters 2 and 3 of 2014/15.

Comments were made in relation to ways in which trained staff could be retained in order to stabilise and maintain the service and the Revenues and Benefits Manager commented on the challenges to retain staff given uncertainties over future delivery of benefits services and also indicated that the recommendations arising from the Smith Commission report could have an impact on the work of the team, if for example local authorities were to administer a new proposed disability benefit.

In relation to the findings of the National Fraud Initiative, which highlighted over 1400 anomalies of residents in receipt of Council tax single persons discount, it was noted that around 500 non returned review cases would require to be cancelled. The initiative had also identified a number of eighteen year olds resident in households but disregarded for Council tax as they were students in full time education.

Clarification was sought in respect of the speed of processing new claims, which had improved and then deteriorated in quarter four, and it was recognised that this had resulted due to losing experienced staff, and subsequently recruiting/training replacement staff. In addition, it was noted that due to a national drive by the Department for Work and Pensions to reduce fraud and error in housing benefit, existing claimants were subject to greater intervention/review, resulting in additional work for staff. It was noted that changes had been made to the teams to support productivity but this was a constant management issue which was continually being monitored.

The Chair, on behalf of the Panel, passed on his gratitude to all members of staff and management for their ongoing work and commitment.

The Panel

**Decided:** having considered the report, to agree that all future reporting of Benefits Performance to Members would be through the Service and Improvement Plan reporting mechanism.

8. **Audit Scotland: Arms-Length External Organisations (ALEOs): Toolkit Self-Assessment of Ayr Renaissance LLP.**

There was submitted a joint report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Legal and Democratic Services and the Head of Finance and ICT providing an update on progress in relation to a self-assessment of Ayr Renaissance LLP using the Audit Scotland Arms-Length External Organisations (ALEOs) toolkit.

A discussion took place in relation to action plan point 3 relating to risk and it was noted that Ayr Renaissance LLP maintained a risk register but consideration would also be given as to how any Council risks arising from Ayr Renaissance LLP could be incorporated within the Councils' Strategic Risk Register, if appropriate.

Members of this Panel who also sat on the Partnerships Panel commented on the excellent discussion which had taken place at the Partnerships Panel on 10th February 2015 when the Chair of Ayr Renaissance LLP and the Managing Director of Ayr Renaissance had updated that Panel on the ongoing work of Ayr Renaissance.

In relation to action plan point 13, clarification was sought in respect of whether benchmarking was available to ascertain value for money and the Managing Director advised that further work was being undertaken in relation to this action plan point and would be pursued via the Partnerships Panel.

The Panel

**Decided:** having noted the contents of the report

- (1) to agree the further activities detailed at Appendix 1 of the report; and
- (2) to agree that progress in implementing these activities would continue to be reported to the Panel as part of the review of External Audit reports and that the Audit and Governance Panel's Action Plan as it related to these activities should be referred to the Partnerships Panel for information.

**9. Internal Audit - Progress Report.**

There was submitted a report (issued) ([link attached](#)) of 29th January 2015 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 services in the implementation of agreed action plans as outlined within the report; and
- (2) to request the Audit Services Programme Review Manager to submit agreed reports to future meetings of this Panel.

**10. Audit Scotland – South Ayrshire Council 2014/15 Audit – Review of Internal Audit.**

There was submitted a report (issued) ([link attached](#)) of 29th January 2015 by the Audit Services Programme Review Manager advising of the findings of the Audit Scotland review of Internal Audit in relation to their 2014/15 audit.

Clarification was sought in relation to Audit Scotland's review which had 'identified a small number of areas where the service had not yet achieved full compliance with the new standards' as per the letter attached as an appendix to the report. The Audit Services Programme Review Manager provided an explanation in this regard.

The Panel

**Decided:** to note the contents of the Audit Scotland report and the fact that Audit Scotland would place formal reliance on internal audit work for 2014/15.

**GOVERNANCE FUNCTION:-**

**11. Delivering Good Governance – Quarterly Update to 31st December 2014.**

There was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Policy and Performance providing an update on progress against the improvement actions that had been identified for 2014/15 to support the Council's Delivering Good Governance Framework.

The Chair invited the Head of Employee and Customer Services to comment on the 'not on target – some concerns' relating to CP6401.01. The Head of Employee and Customer Services indicated that the Employee Engagement Survey was currently being undertaken and this formed part of a continuing process of engagement. Clarification was sought as to what had precipitated this new approach and it was noted that it was hoped that the new approach would encourage participation and generate a better response rate. In terms of the proposal to undertake in-depth discussions, it was suggested that more open discussions could be held if this was carried out by an external agency. The Head of Employee and Customer Services indicated that she would explore this suggestion further and also added that, internally, managers needed to ensure that they were engaging with the workforce.

Clarification was sought in relation to the progress being made with CP6502.01 and the development of linkages between resources and budget management. The Head of Policy and Performance explained that this formed part of the Service and Improvement Plans (SIPs) and was on course for completion within the specified timescales.

The Panel

**Decided:** having scrutinised the progress against the 2014/15 improvement actions outlined in Appendix 1 of the report,

- (1) that no further action was required in light of the issues discussed at the Panel's recent workshop on Delivering Good Governance; and
- (2) to note the commitment made by the Corporate Management Team to develop more outcome based updates in future reporting.

## **12. Improvement Themes – Quarterly Update to 31st December 2014.**

There was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Policy and Performance providing the latest quarterly update on the Council's Improvement Themes to allow Elected Members to review progress.

In relation to CP6101 – Rationalise the Property Estate – clarification was sought in respect of office accommodation. The Head of Property and Risk explained that a strategy was currently being developed. It was noted that this would be assisted by the Member / Officer Working Group tasked with this work and that a full business case was being established which would include new models of working.

In terms of CP6103.05, clarification was sought in relation to insurance evaluations and associated slippage. The Head of Property and Risk explained that the quotes received for undertaking this work were higher than the budget allocation, partly as a result of underestimating the value of the work and partly due to current market conditions. It was noted that this was currently being reviewed.

Clarification was sought in respect of CP6601.03 and the progress being made with the appointment of the Business Improvement Team. The Head of Policy and Performance informed of the various steps which had been undertaken and advised that a recruitment process had been agreed. It was recognised that promoting cultural change was a key role of the Team. In terms of Customer Contact Centres, clarification was sought on the relationship between the Centres and the Team, given their knowledge of issues and concerns raised by the public and the complexities of addressing them. It was agreed that this sort of information, and that derived from complaints, should be closely examined as part of the Council's continuous improvement journey.

In terms of the progress being made with the development of linkages between resources and budget management (CP6502.01), it was noted that this work was progressing as part of the SIP refresh and was in line to be completed within the specified timescales.

A discussion took place with regard to SP6602.07 and it was noted that a report on the continued use of Campus Police Officers with scope for an additional two officers to be appointed would be considered by the Leadership Panel at its meeting on 17th February 2015.

In terms of the Service Review of Procurement (SP6602.13), it was noted that this work had commenced and consisted of a number of strands with close work being undertaken with Officers from the Health and Social Care Partnership to explore new opportunities for delivering care services.

Clarification was sought in relation to whether internet coverage of the crematorium to facilitate bereaved families from a distance was being considered as part of the Review of Bereavement Services (SP6602.16) and the Executive Director – Resources, Governance and Organisation agreed to explore this issue further.

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.

**Councillor Galbraith left the meeting at this point.**

**13. Asset Management and Capital Programme Delivery Update.**

Reference was made to the Minutes of 26th November 2014 (Page 1, paragraph 4) when during discussion of the item on External Audit reports, the Panel requested that a holistic approach be adopted for future capital programme reporting and there was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Property and Risk providing an update on Asset Management and Capital Programme Delivery.

Clarification was sought in relation to the recruitment of four agency staff and how the project would be developed over the six month period. The Head of Property and Risk advised that this approach had been partly unsuccessful and explained that two agency architects had been recruited and would be in place until the newly appointed team commenced in March 2015. In terms of recruiting two agency quantity surveyors, this had not been achievable.

The Panel

**Decided:** having scrutinised the progress that had been made to date, to note the current position with Asset Management and Capital Project Delivery as contained within the report.

**14. Treasury Management and Investment Strategy Report 2015/16.**

There was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Head of Finance and ICT requesting consideration of the proposed Treasury Management and Investment Strategy for financial year 2015/16 as detailed in Appendix 1 of the report.

The Treasury Manager advised of recent changes in practice as outlined within the report. Clarification was sought in relation to the authorised limits for external borrowing and it was noted that the Council set this limit. A discussion took place in relation to whether the Council's level of debt and borrowing was at the lower end in comparison to other Councils. It was confirmed that South Ayrshire did have a lower level of debt compared to others but that a significant investment programme was in place for the next five years. Table 3 of the Strategy indicated that the Council's current Capital Financing Requirement was fully funded externally which indicated that no internal cash resources had been used to fund historical capital expenditure.

A question was raised in relation to the amount of the Council's overall borrowing requirement and whether as a result of capital slippage this was costing the Council in terms of an inflationary increase on project costs. The Treasury Manager explained that slippage had resulted in less than expected borrowing requirement and this was the reason for the loan charge underspends. It was noted that there might be an inflationary cost to the Council due to capital slippage.

In relation to current inflation rates and trends, clarification was sought regarding the optimum time for borrowing and the Treasury Manager commented on the short term market base rate as well as the low interest rate environment of the UK with no immediate indication that this position would change but the situation was continually reviewed.

A question was asked in respect of house sales and whether this would be a factor in relation to the debt to rent ratio increase and how would it impact on the 2017 Business Plan. The Head of Finance and ICT advised that he would look into this and feedback accordingly.

The Panel

**Decided:** having considered the draft Treasury Management and Investment Strategy for 2014/15 attached as an appendix to the report

- (1) to agree to recommend the proposed change to treasury reporting to members in 2015/16 as outlined at paragraph 4.4 of the covering report; and
- (2) to refer the Annual Treasury Management and Investment Strategy to the next meeting of South Ayrshire Council on 5th March 2015 for approval.

## 15. **Scrutiny Handbook.**

Reference was made to the Minutes of 26th November 2014 (Page 7, paragraph 11) and there was submitted a report (issued) ([link attached](#)) of 3rd February 2015 by the Executive Director – Resources, Governance and Organisation seeking approval of the updated Scrutiny Handbook.

In terms of the proposed revisions to the petitions protocol contained within the Handbook, clarification was sought as to whether there was scope to meet outwith Council working hours to accommodate the petitioner in exceptional circumstances. It was noted that this approach would be a decision for the Council to make bearing in mind the cost implications and difficulties in determining what would be deemed as exceptional circumstances.

In respect of those cases where it would be inappropriate for the Panel to consider a petition, such as those containing commercially sensitive information, clarification was sought as to where people could then raise these concerns. The Executive Director – Resources, Governance and Organisation provided an example of the type of information which would not be appropriate for discussion at a public meeting and commented that each petition would be examined on a case by case basis to assess its validity. Following discussion, it was noted that, in terms of transparency, the Public Processes Panel would be made aware of those petitions which had not been accepted and that the petitions protocol contained within the Handbook would be slightly amended to take account of this suggestion.

Comments were made in relation to publicising the petitions process and whether a leaflet could be created for public consumption based on the protocol. It was noted that the Head of Legal and Democratic Services and the Head of Policy and Performance would explore publicity options by way of the public website and the use of a leaflet.

The Panel

**Decided:** subject to minor amendments to the petitions protocol to include a further step in the process on the validity of a petition or seek further clarification on its terms and to indicate that the Public Processes Panel be informed of any petitions which had not been accepted, to approve the updated Scrutiny Handbook attached as Appendix 1 of the report.

**16. Any other business.**

The Chair announced that he was resigning from his position as Chair of this Panel and, likewise, Councillor Clark was also resigning from his position of Vice-Chair.

The meeting ended at 12.10 p.m.