

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 24th September 2015 at 2.00 p.m.

Present: Siobhan White (Chair), Councillors Brian McGinley, Douglas Campbell, Ian Cochrane, Brian Connolly, Ann Galbraith and Helen Moonie.

Apology: Councillor John Hampton.

Also present: Councillors Bill Grant, Bill McIntosh and Robin Reid, Portfolio Holders.

Attending: V. Andrews, Executive Director – Resources, Governance and Organisation; T. Baulk, Head of Finance and ICT; M. Baker, Head of Policy and Performance;; T. Eltringham, Director - Health and Social Care Partnership; D. Gillies, Head of Property and Risk; C. Boyd, Risk and Safety Manager; M. Leonard, Senior Auditor; D. McNeill, Treasury Manager; B. Phillips, Revenues and Benefits Manager; C. Gardner, Senior Strategic Planning and Performance Officer; and L. Sands, Committee Services Officer.

Also Attending: D. Richardson, Senior Audit Manager, 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.

The Minutes of 9th June 2015 (issued) (**link attached**) were submitted and approved subject to an additional paragraph to item 13 "Concluding Remarks" namely "Councillor Clark requested it be minuted that an elected member with a mandate from the electorate had been required to be removed from the Panel to allow for an appointed (non-elected) person to take their place."

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 and that the Work Programme would now be developed further for the forthcoming year.

External Audit Reports.

4. 2014/15 Annual Audit Report and Report to Those Charged with Governance.

There was submitted a report (issued) (**link attached**) of 17th September 2015 by the Head of Finance and ICT

- (1) submitting the Annual Accounts for the financial year ended 31st March 2015 and the proposed independent auditor's report to Members of the Council, and
- (2) allowing the auditor to communicate the matters raised during the audit to the Panel.

The Senior Audit Manager, Audit Scotland, provided the Panel with an overview of the report informing the Panel of the changes to the year-end timetable for 2014/15 which required this Report to be considered by the Panel prior to sign-off of the accounts by 30th September 2015 and with the explanations of the terminology. He highlighted that paragraph 1 in the covering letter in Annex 3 was now complete, there had not been anything significant raised and paragraph 19 on page 9 of Annex 4 detailed the misstatements. The Senior Audit Manager then raised several areas of risk for the Council to consider, as summarised in the Appendix IV's action plan to the report along with the Council's proposed action/response:

- (1) Budgeting: Overall the Council continues to generate unplanned surpluses resulting in a risk that the Council's base budgets are not aligned with priorities;
- (2) CFCR: The HRA uses CFCR lines to absorb underspending in other budget lines resulting in a risk that the budget monitoring reports are not transparent;
- (3) HRA budget monitoring reports: the HRA's over use of virement resulting in a risk that this masks issues with individual budgets;
- (4) Reserves: The current level of unallocated reserves is 5.8% resulting in the risk that the Council continues to accrue unplanned reserves to the detriment of service provision; and
- (5) Public performance reporting: South Ayrshire's public performance reporting arrangements lag behind when compared to other Councils resulting in the risk that the Council is perceived as not being open and transparent.

The Senior Audit Manager also mentioned that the accounts submitted were excellent and praised the Council staff for providing good support.

A member of the Panel raised the issue of the 2014/15 Property Maintenance Service surplus and whether or not a proportion of the surplus should be transferred to the Housing Revenue Account (HRA) in recognition of the terms of recent Scottish Government Guidance on the operation of the HRA. The issue was discussed by members of the panel and it was confirmed by the Head of Finance and ICT that it would be considered as part of the 2015/16 financial year end accounts process and a new protocol established to deal with the issue. The Senior Audit Manager confirmed that the impact was not of a material nature in terms of the annual accounts and

therefore no action was required for 2014/15 and the accounts were acceptable to be approved for this financial year.

Clarification was sought in relation to the wording of paragraph 89 on page 24 of Annex 4 regarding the Council's Community Engagement Strategy as a member of the Panel was not aware that a strategy had been approved. It was agreed that the wording would be reviewed and clarified after checking what was approved in 2014.

A question was raised regarding the Housing Revenue Account, in terms of the application of vacancy management targets to HRA payroll budgets. It was explained by the Head of Finance and ICT that, as with all operational payroll budgets, it is accepted practice that a full staffing complement would never be needed due to natural turnover of staff and it is, therefore, unnecessary to provide resources when it is known that there is no need. The application of a payroll management target reflects this position and it is for management to manage the filling of vacancies taking this in to account.

Decided:

- (1) to approve the audited Annual Council Accounts in annex 1 of the report for signature and their subsequent submission to Audit Scotland by 30th September 2015;
- (2) to approve the audited Annual Charitable Trust Accounts in annex 2 of the report for signature and their subsequent submission to Audit Scotland by 30th September 2015;
- (3) to note the auditor's covering letter regarding the audit, in annex 3 of the report,, including the update provided by the Senior Audit Manager at the meeting;
- (4) to note the 2014/15 Annual Audit Report by Audit Scotland in annex 4 of the report and that the Annual Accounts and Charitable Trust Accounts have an unqualified audit opinion;
- (5) to approve the action plan at appendix IV to the Audit Scotland Annual Audit Report in annex 4 of the report, designed to address the areas of concern which were highlighted;
- (6) to agree that regular updates on progress against the action plan are provided to the Audit and Governance Panel.; and
- (7) to agree to remit the annual audit report to Members and the Controller of Audit to South Ayrshire Council for noting.

5. Audit Scotland – Annual Overview of Corporate Governance Arrangements 2014/15.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Executive Director – Resources, Governance and Organisation advising Members of the findings from the annual overview of corporate governance arrangements (review of internal controls) within the Council.

Decided:

- (1) to note the key issues raised by the auditors;
- (2) to agree the action plan proposed at Appendix A in the report; and
- (3) to agree that progress in implementing the action plan will be reported to the Audit and Governance Panel as part of the review of External Audit reports.

6. External Audit Reports – Progress to 30th June 2015.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Head of Policy and Performance providing Members with an update on the progress that the Council is making in relation to external audit improvement actions.

Decided: having scrutinised the progress against the Council's external audit improvement actions as presented in the report, to note the contents of the report.

7. Targeted Best Value Follow Up.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Head of Policy and Performance providing Elected Members with a further update on progress against the Action Plan agreed by Council on 5th March 2015.

Clarification was sought on how Member's input was being incorporated in to the process on Action Point 1 of Appendix 1 of the report and it was noted that any members input should feed through to the Best Value Working Group agenda via Panel Chairs and Portfolio Holders.

A question was raised as to how information, such as reports and guidance, came in to the Council from the Scottish Government, how it was passed on to the relevant employees and how Members could be made aware of this information. It was advised certain Heads of Service and Officers received information relating to their service and additionally some information came in to the Chief Executive and this information was logged and circulated as appropriate. It was agreed that the Executive Director – Resources, Governance and Organisation and the Head of Policy and Performance would look at ways to alert Members to relevant information coming in from the Scottish Government.

Decided:

- (1) to note the progress made against the improvement action plan in appendix 1 of the report; and
- (2) to request that a further update is provided to the Audit and Governance Panel of 25th November 2015.

8. Audit Scotland's Assessment of the Council's Public Performance Reporting for 2013-14.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Head of Policy and Performance advising Members of the findings of Audit Scotland's Assessment of the Council's Public Performance Reporting for 2013-14.

A Member of the Panel raised the issue that statistics on their own were not adequate and that a narrative was required in order to understand the statistics. It was noted that in terms of the report there were some relatively straightforward steps this Council could take to improve upon its public performance reporting in this and future years.

Decided:

- (1) to note the findings of Audit Scotland;
- (2) to agree that the Council's existing approach to Public Performance Reporting should be updated for its 2014-15 reporting, to address the areas for improvement identified by Audit Scotland; and
- (3) to agree that the 2014-15 reporting is then formally consulted upon with a range of interest groups reflecting the public of South Ayrshire.

9. Audit Scotland: Benefits Performance Audit Annual Update 2014/15.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Head of Finance and ICT advising the Panel of the outcome of Audit Scotland's benefits performance audit work in 2014/15.

The Head of Finance and ICT advised the Panel that a Risk Assessment report for 2015/16 would be considered at the Audit and Governance Panel following receipt of the Audit Scotland report which is expected in the first quarter of 2016. Clarification was sought and provided regarding the information in paragraph 7 of page 5 of the report relating to households that received financial support to help pay for their rent during 2014/15.

Decided:

- (1) to note that Audit Scotland received satisfactory updates from the Council on the progress made within the Council's Benefits service; and
- (2) to request that the Head of Finance and ICT provides a further report to this Panel with outcomes from a full risk assessment of the Council's Benefits service expected during April 2016.

10. Audit Scotland: An Overview of Local Government in Scotland 2015 – Self-Assessment Tool for Councillors.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Executive Director – Resources, Governance and Organisation providing the Panel with feedback from analysis of self-assessment forms completed by Elected Members in line with Audit Scotland recommendations.

The Panel discussed the summary responses in Appendix 1 of the report and the Executive Director – Resources, Governance and Organisation agreed to take on board the comments made through future plans for members' development.

Decided: having scrutinised the summary of findings from completed self-assessment forms, outlined in Appendix 1 of the report, to note the contents of the report.

Internal Audit Reports.

11. Internal Audit Progress Report – Follow-Up of Internal Audit Action Plans.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Acting Audit Services/Programme Review Manager advising Members of Directorates' progress in relation to the implementation of action plans contained in Internal Audit reports.

Decided:

- (1) to note the progress of Directorates in the implementation of agreed action plans as per 4.2 in the report; and
- (2) to request the Acting Audit Services/Programme Review Manager to bring agreed reports to future meetings of this Panel.

12. Internal Audit Service – Annual Report 2014/15.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Acting Audit Services/Programme Review Manager advising Members of the work carried out by the Internal Audit service during 2014/15.

The Acting Audit Services/Programme Review Manager advised the Panel that work had started on the 2015/16 Annual Audit Plan and that a new member of staff would be starting in October. The Panel noted that the process to replace the former Audit Services/Programme Review Manager was under review by the Chief Executive.

Decided:

- (1) to note the contents of the report; and
- (2) to request that the Acting Audit Services/Programme Review Manager to ensure that Internal Audit report on matters arising from work on the 2015/16 Annual Audit Plan.

Other Reports.

13. Strategic Risk Management.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Head of Property and Risk updating the Audit and Governance Panel on the reviewed

Strategic Risk Register – September 2015, in Appendix 1 of the report, in line with the agreed reporting framework.

The Head of Property and Risk and the Risk and Safety Manager provided the Panel with an update on the Strategic Risk Register in Appendix 1 of the report. Consideration was given to the links with and future roles respectively for the Council and the Integration Joint Board in relation to risks for Child and Adult Protection and the Director - Health and Social Care Partnership advised that the Integration Joint Board had their own risk register and this was evolving and would be managed by the Partnership, however risks remained with the Council as well due to its statutory responsibilities.

The Chair enquired around the facility to compare current Progress with previous reports and it was clarified that the use of COVALENT live at future meetings would be able to address this.

Questions were raised regarding the mitigations for SR022, Economic Development specifically what the latest position was in relation to town centre business development given the decisions taken by Council in relation to Town Centres Management and secondly what the latest position was in relation to the Ayrshire and Arran tourism team. The officers in attendance were unable to provide an update beyond what was contained in the report therefore the Executive Director – Resources, Governance and Organisation agreed to remit the questions to the Executive Director – Economy, Neighbourhood and Environment for clarification.

Councillor Galbraith left the meeting during discussion of this item.

Decided:

- (1) to agree the 16 key risks and endorse the work currently being undertaken or proposed by risk owners to mitigate these risks; and
- (2) to agree that a report on the management of Strategic Risk be taken to the Leadership Panel on 3rd November 2015 for endorsement.

14. Treasury Management Annual Report 2014/15.

There was submitted a report (issued) (**link attached**) of 15th September 2015 by the Head of Finance and ICT

- (1) 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 2014/15 in Appendix 1 of the report; and
- (2) seeking Members' consideration of its contents.

Councillor Moonie left the meeting during discussion of this item.

Decided:

- (1) after consideration of the Annual Treasury Management Report 2014/15 outlined in Appendix 1 of the report, to note the contents of the report; and

- (2) to remit the Annual Treasury Management Report to South Ayrshire Council for approval.

The meeting ended at 4.51 p.m.