

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 14th September 2016 at 10.00 a.m.

- Present: Siobhan White (Chair), Councillors Ian Cochrane, Brian Connolly, Ann Galbraith, John Hampton, Brian McGinley and Helen Moonie.
- Apology: Councillor Douglas Campbell.
- Attending: V. Andrews, Executive Director – Resources, Governance and Organisation; T. Baulk, Head of Finance and ICT; M. Baker, Head of Policy and Performance; R. Riddiough, Head of Legal and Democratic Services; W. Phillips, Revenues and Benefits Manager; M. Leonard, Acting Audit Services/Programme Review Manager; S. Lawton, Senior Auditor; and J. McClure, Committee Services Lead Officer.

1. Declarations of Interest.

In terms of Council Standing Order No. 17 and the Councillors' Code of Conduct, Provost Moonie declared an interest in item 14 of this Minute entitled "Follow-Up to Previous Confidential Audit Reports of 20th April and 9th June 2016" as she had been in discussion with the family of a resident of the complex and she advised that she would leave the room during consideration of this item.

2. Minutes.

The Minutes of 9th June 2016 ([issued](#)) were submitted and approved.

3. Action Log and Work Programme.

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

Questions were raised by a Member in relation to:-

- (1) the status of the HRA Fundamental Review and the Executive Director – Economy, Neighbourhood and Environment advised that an update on this would be provided to the Review Group in due course; and
- (2) the due date to Panel of the Audit Scotland Annual Audit Report and the Executive Director – Resources, Governance and Organisation advised that this was to allow this Panel to approve the Report prior to Audit Scotland issuing it.

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

4. **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.

External Audit Reports.

5. **Audit Scotland : Maintaining Scotland's Roads – A Follow-Up Report.**

There was submitted a joint report ([issued](#)) of 6th September 2016 by the Executive Director – Economy, Neighbourhood and Environment and the Executive Director - Resources, Governance and Organisation advising of the Audit Scotland report entitled "Maintaining Scotland's Roads – A Follow-Up Report".

Following a full discussion on the varying condition of roads and pavements throughout South Ayrshire following works carried out by utilities companies and the future cost implications for this Council where the work was not carried out to a satisfactory level, the Executive Director - Economy, Neighbourhood and Environment advised that she would provide an update in writing to Panel Members on the considerations of the Ayrshire Shared Services Joint Committee in relation to the works carried out by utilities companies; and would confirm the maximum fine for any work not being up to standard and this Panel could then decide whether the matter should be referred back to Audit Scotland for further consideration.

A question was raised by a Member in relation to the recording of the number of cyclists injured in accidents due to potholes and the Executive Director – Economy, Neighbourhood and Environment advised that the recording of accidents came from Police Scotland, therefore if an accident was not reported to Police Scotland, it would not be recorded in the statistics.

Decided: to agree that the Audit Scotland report (attached as Appendix 1 to the report) be remitted to the Ayrshire Shared Services Joint Committee for consideration and scrutiny, with any issues raised there that are pertinent to the Audit remit being reported back to this panel thereafter.

6. **External Audit Reports – Progress to 30th June 2016.**

There was submitted a report ([issued](#)) of 23rd August 2016 by the Head of Policy and Performance providing an update on the progress that this Council was making in relation to external audit improvement actions.

Questions were raised by Panel Members regarding:-

- (1) the staff online training package for Oracle R12 and whether staff were allocated time to undertake this training and the Head of Finance and ICT confirmed that this training was undertaken during office hours; and

- (2) whether those Council tenants who had their Housing Benefit suspended to check ongoing benefit was accurate then had their benefits backdated when payment resumed and the Revenues and Benefits Manager advised that where no fraud or error had been found, payment would resume from when it had been suspended.

A Panel Member then raised concerns regarding the Council's Public Performance Reporting and the consultation which had taken place with the South Ayrshire 1000, whether the Council was providing adequate information on performance as the focus appeared to be on outcomes and that further engagement required to be carried out rather than advising on what had been achieved. The Head of Policy and Performance advised that the Council had a statutory requirement to report on performance and that consultation with the public was ongoing through various avenues.

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

7. Audit Scotland: (1) Housing Benefit Good Practice Guide; (2) Benefit Performance Audit Annual Update 2015/16; (3) South Ayrshire Council- Audit of Housing Benefit – Risk Assessment Report.

There was submitted a report ([issued](#)) of 19th August 2016 by the Head of Finance and ICT outlining the national initiatives which had been introduced to help deliver continuous improvement and the risk assessment conducted by Audit Scotland of the Council's Benefits service (reports attached as Appendices 1 to 3).

A question was raised by a Member in relation to devolved financial powers and implications for this Council regarding financial cost of the new duties and responsibilities and the associated resource planning and the Revenues and Benefits Manager responded accordingly outlining the roles of this Council, the Scottish Government and the DWP. Clarification was also provided in relation to timescales for changes in the context of budget pressures

The Panel then congratulated the Revenues and Benefits Section on their excellent work.

Decided: having considered the Housing Benefit Good Practice Guide and the Benefit Performance Audit Annual Update Report 2015/16 and having scrutinised the Audit of Housing Benefit – Risk Assessment Report for the Council's Benefit Service, to approve the proposed action plan to address and reduce risks identified during the performance audit (attached as Appendix 4 to the report).

8. Audit Scotland : Internal Controls 2015/16.

There was submitted a report ([issued](#)) of 6th September 2016 by the Executive Director – Resources, Governance and Organisation outlining the findings from the annual internal controls review within the Council.

Panel Members raised questions in relation to:

- (1) the reporting of the ICT Risk Register, and the Executive Director – Resources, Governance and Organisation advised that the Strategic Risk Register covered ICT, however the ICT Risk Register was more detailed, was not reported to Elected Members and that it was currently being considered dealing with this in a different manner from other services due to the corporate impact of these risks;
- (2) State Aid, and the Senior Auditor advised that criteria were applied when issuing loans or grants, and that extensive guidance was available on this issue and the Executive Director – Resources, Governance and Organisation further advised that the Enterprise Team had expertise in this area and that the State Aid Section of the Scottish Government were also available to offer advice and guidance when required;
- (3) the number of uncashed cheques and the Senior Auditor advised that these related to a small number of landlords who had not cashed their cheques and that cheques expired after six months;and
- (4) why cheques were still being provided by this Council and the Head of Finance and ICT advised that cheques were requested by users.

Decided: following consideration of the key issues raised by the auditors

- (a) to agree the Action Plan proposed at Annex 1 to the report; and
- (b) to agree that progress in implementing the Action Plan would be reported to this Panel as part of the review of External Audit reports.

9. Audit Scotland : The National Fraud Initiative in Scotland.

There was submitted a report ([issued](#)) of 17th August 2016 by the Head of Finance and ICT outlining the findings and recommendations of the report by Audit Scotland on the National Fraud Initiative in Scotland.

The Acting Audit Services/Programme Review Manager advised that Part A of Annex 1 would be issued to all Elected Members and Senior Management and that she would co-ordinate Part B and the Panel

Decided: having considered the key messages and recommendations raised in the Audit Scotland report on The National Fraud Initiative (NFI) in Scotland, attached as Annex 1 to the report, to agree the following actions proposed in response:-

- (1) that this Panel should review the self-appraisal checklist at Annex 1, Part A (on page 41) with the support of the Acting Audit Services/Programme Review Manager where further clarification was required; and
- (2) to request the NFI key contact (the Acting Audit Services/Programme Review Manager) to inform Members through the Members' Bulletin of the progress of the NFI 2016/17 exercise and any additional NFI exercises carried out.

Internal Audit Reports.

10. Amended Internal Audit Charter.

There was submitted a report ([issued](#)) of 24th August 2016 by the Head of Finance and ICT seeking approval of the amended Internal Audit Charter, attached as Appendix 1 to the report.

The Executive Director – Resources, Governance and Organisation advised

- (1) that a bulletin had been circulated from the Chief Executive advising that External Audit had expressed concerns on the changed reporting line for Internal Audit and that, following discussions with the Chief Executive, the Head of Finance and ICT and the Acting Audit Services/Programme Review Manager, it had been decided to reinstate Internal Audit's reporting line to the Chief Executive;
- (2) that External Audit had been made aware of this change and that the Chief Executive was currently carrying out a review, in consultation with External Audit; and
- (3) that, therefore, some of the amendments within the Charter could not be implemented at this time and parts no longer appropriate would be deleted.

A question was raised by a Panel Member relating to the rationale behind the reporting now being to the Head of Finance and ICT and the Executive Director – Resources, Governance and Organisation advised that this was a decision taken by the Chief Executive, however, the reporting line varied across all Scottish authorities; and a full discussion took place regarding the role of Internal Audit and the aligning of services.

Decided: to continue consideration of this matter to a future meeting of this Panel once the Chief Executive's review had been concluded.

11. Internal Audit Progress Report, (i) Follow Up of Internal Audit Action Plans And (ii) Progress Of Annual Internal Audit Plan.

There was submitted a report ([issued](#)) of 24th August 2016 by the Head of Finance and ICT advising of Directorates' progress in regard to the implementation of action plans and with progress on the internal audit annual plan for 2015/16 and 2016/17, attached as Appendix 1 to the report.

Decided:

- (1) to note the progress of services in the implementation of agreed action plans as outlined in paragraph 4.2 of the report;
- (2) to note the progress of the Internal Audit Plan for 2015/16 as outlined in paragraphs 4.5 to 4.8 and also Appendix 2 of the report; and
- (3) to request that the Acting Audit Services/Programme Review Manager submit agreed reports to future meetings of this Panel.

12. Internal Audit Service – Annual Report 2015/16.

There was submitted a report ([issued](#)) of 24th August 2016 by the Head of Finance and ICT advising of the work carried out by the Internal Audit Service during 2015/16.

The Executive Director – Resources, Governance and Organisation advised that, following the changes as intimated under item 10 of this Minute, it should be minuted that notwithstanding the references in the Annual Report to a change in reporting line, this had been reversed pending further review and the Annual Report should be approved subject to that amendment.

A full discussion then took place in relation to staffing; training; vacancy management; the impact of long-term vacancies; and the productivity of Internal Audit.

Decided:

- (1) to note that the change in the reporting line for Internal Audit had been reversed pending a further review to be carried out by the Chief Executive and a note would be added to the Annual Report to reflect this; ; and
- (2) to request the Acting Audit Services/Programme Review Manager to ensure that Internal Audit Service report on matters arising from work on the 2016/17 Annual Audit Plan.

Other Governance Reports.

13. Exclusion of press and public.

The Panel resolved, in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, that the press and public be excluded during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information in terms of paragraph 8 of Part 1 of Schedule 7A of the Act.

Provost Moonie, having previously declared an interest in this item, left the meeting during consideration thereof.

Councillor Galbraith left the meeting at this point.

14. Follow-Up to Previous Confidential Audit Reports of 20th April and 9th June 2016.

Reference was made to the Minutes of 20th April 2016 (Page 8, paragraph 17) and Minutes of 9th June 2016 (Page 4, paragraph 12) and there was submitted a report (issued to Members only) of 25th August 2016 by the Head of Community Health and Care Services updating the Panel in relation to a block contract between South Ayrshire Council and a third party provider.

A full discussion then took place in relation to the involvement of Legal Services and Procurement Services in authorising contracts; and the procedures currently in place for agreeing social care contracts.

The Executive Director – Resources, Governance and Organisation outlined the options for this Panel in considering the report and advised that the action points would be monitored by Internal Audit and if Internal Audit were not satisfied with any points, these would be picked up in the regular reporting mechanism.

Decided:

- (1) to note the progress that had been made in implementing the Action Plan items identified in the original Internal Audit report and that the outstanding actions would continue to be tracked through the Internal Audit Follow-Up reports; and
- (2) to request that processes and procedures in relation to these contracts be investigated with a view to revising these.

Councillor Connolly left the meeting at this point.

Provost Moonie rejoined the meeting at this point.

15. Tracking of Council/Panel Decisions.

There was submitted a report ([issued](#)) of 17th August 2016 by the Head of Legal and Democratic Services seeking approval of the active scrutiny of the performance of officers in delivering agreed Council and Leadership Panel decision.

A discussion then took place in relation to Panel action logs; the availability of the full Leadership Panel decision log to Elected Members; the monitoring of all decisions; and the availability of all Panel minutes.

Decided: to consider and approve the arrangements in place for the scrutiny of the performance of officers in delivering the agreed Council and Leadership Panel decisions.

The meeting ended at 12.55 p.m.