

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 20th April 2016 at 10.00 a.m.

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

Attending: V. Andrews, Executive Director – Resources, Governance and Organisation; T. Baulk, Head of Finance and ICT; T. Eltringham, Director of Health and Social Care (part); C. Monaghan, Head of Communities (part); D. Gillies, Head of Property and Risk (part); R. Riddiough, Head of Legal and Democratic Services (part); D. Burns, Head of Housing and Facilities (part); K. Leinster, Head of Community Health and Care Services (part); D. Richardson, Senior Auditor, Audit Scotland (part); S. Lawton, Senior Auditor, Audit Scotland (part); B. Phillips, Revenues and Benefits Manager (part); Zoe Fance, Procurement and Transformation Programme Office Manager (part); C. Boyd, Risk and Safety Manager (part); M. Leonard, Acting Audit Services/Programme Review Manager (part); B. Clancy, Auditor (part) and L. Sands, Committee Services Officer.

1. Declarations of Interest.

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

2. Minutes.

The Minutes of 10th February 2016 (issued) ([link attached](#)) 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) ([link attached](#)).

A member of the Panel raised a question regarding Action Point 1 of the Action Log relating to the Ayr Renaissance Risk Register, in particular why it was not included in the Council's Strategic Risk Register and what would happen if planning were to be refused on their development on the High Street. The Executive Director – Resources, Governance and Organisation advised that Ayr Renaissance had previously been assessed and it had been agreed it would not be a part of the Council's Strategic Risk Register as they had their own Risk Register. Consideration could, however, be given to including the potential risks in relation to the Council office accommodation project under the Asset Management Risk.

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

External Audit Reports.

4. Audit Scotland: Health and Social Care Integration.

There was submitted a report (issued) ([link attached](#)) of 8th April 2016 by the Director of Health and Social Care providing an analysis of the progress that has been made locally on the recommendations contained in the report on Health and Social Care Integration by Audit Scotland published in December, 2015.

A member of the Panel raised concerns regarding the need to agree budgets for the Integration Joint Board (IJB) to support medium term planning. The Director confirmed that the Council funding was now known for 2016/17 but that the NHS funding would not be approved until May after which the IJB would consider both together. The Board would need to ensure the Partnership had the right resources in order to progress as required.

The Executive Director – Resources, Governance and Organisation advised that the Director of Health and Social Care and she were actively looking at how best to deal with scrutiny of the Health and Social Care Partnership and that there would be a report to the next meeting of this Panel.

Clarification was sought and provided regarding joint working between the three Ayrshire Councils and the NHS and links with Community Planning and the Communities Service in relation to localities work.

Decided: having considered the contents of the analysis, the progress made to date by the South Ayrshire Health and Social Care Partnership and having reflected on the outstanding issues for the Council, NHS Board and Integration Joint Board, to note the contents of the report.

5. Audit Scotland Report on Community Planning.

There was submitted a report (issued) ([link attached](#)) of 8th April 2016 by the Head of Communities advising Members of the Panel of the recommendations of a national report by Audit Scotland relating to Community Planning and inviting their agreement to remit the report to the Partnerships Panel which has oversight of community planning.

The Head of Communities provided the Panel with an update on the Council's Community Planning position stating that it was not radically different from any other local authority in Scotland and that the Partnership had been communicating with other Community Planning Partnerships to compare development.

A member of the Panel raised concerns that some areas had not been addressed, mainly, that there were no dedicated resources and a lack of accountability and responsibility and that without these aspects the work being undertaken might be a wasted effort. The Head of Communities advised that although she did not disagree regarding the resources she did not feel, in the absence of money, that the work being carried out was a waste of time.

A discussion followed on how Community Planning currently operates and how it could be better integrated within different areas of the Council and a member of the Panel suggested including links to Community Planning information within reports in order for

the work the team did to be clearer within the overall vision of the Council. The Executive Director – Resources, Governance and Organisation advised that there was going to be a review of reports within the remit of the proposed Member/Officer Working Group pre 2017 Election and this suggestion could be considered in that context.

Decided: having considered the issues raised in the Audit Report on Community Planning, to agree that the report be remitted to the Partnerships Panel for further consideration.

6. Audit Scotland: Financial Reporting and Scrutiny: Why the Accounts Matter.

There was submitted a report (issued) ([link attached](#)) of 11th April 2016 by the Head of Finance and ICT advising the Panel of the findings from all of the Councils audited by Audit Scotland and questions for consideration by Members when reviewing the accounts.

The Chair raised concerns relating to whether the self-evaluation elements of this report and of the report entitled “Audit Scotland: An Overview of Local Government in Scotland 2016”, item 11 in the agenda, could have been merged as they were quite similar. D. Richardson, Senior Auditor, Audit Scotland, advised that the current report was produced from an overview report and although there were some crossovers the current report was directed mainly to accounts. He further advised that if Elected Members had any specific questions relating to the current report these could be raised at the Elected Members briefing on 19th May but requested that these be sent to the Head of Finance and ICT or himself in advance of the briefing in order for answers to be prepared.

Decided:

- (1) having considered the findings outlined in appendix 1 of the report, to note the contents of the report; and
- (2) to note that an Elected Members briefing had been arranged with Audit Scotland for 19th May 2016 in order to promote the understanding of the annual accounts.

7. Audit Scotland: Major Capital Investment on Councils – Follow-up.

There was submitted a joint report (issued) ([link attached](#)) of 11th April 2016 by the Head of Property and Risk and the Head of Finance and ICT advising the Panel of the findings and recommendations of Audit Scotland’s follow-up audit of Major Capital Investment in Councils.

A member of the Panel raised concerns relating to Housing Capital reports and the lack of clarity around the relationship with and implications for housing revenue. A view was further expressed regarding the desirability of more narrative-style reporting in relation to capital reports.

The Executive Director – Resources, Governance and Organisation advised that in terms of the issues raised relating to the Housing Revenue Account (HRA) these could better be addressed when the Head of Housing and Facilities arrived to talk to item 13.

In relation to Capital Programme reporting, the Executive Director confirmed that this would be given further consideration following on from the Report both by the service and under the auspices of the proposed Member/Officer Working Group pre 2017 Election.

A discussion followed on the use of business cases in relation to capital projects and plans for reviews of projects after implementation and officers responded with reference to the report.

Decided:

- (1) having considered the key issues raised by the auditors, to agree the Improvement Action Plan proposed at section 4 of the report; and
- (2) to agree that progress in implementing the action plan would be reported through the Property and Risk Service and Improvement Plan to the Service and Performance Panel.

8. Audit Scotland: Housing Benefit Subsidy Certification 2014/15.

There was submitted a report (issued) ([link attached](#)) of 11th April 2016 by the Head of Finance and ICT advising the Panel of the review of housing benefit subsidy in 2014/15 conducted by Audit Scotland.

The Panel noted that the report had been helpful in providing a clearer understanding of Housing Benefit Subsidy Certification but further development of the report content in future might be helpful to further explain the context and wider implications.

Clarification was sought and provided on a number of areas within the report, in particular relating to Universal Credit and impact on temporary accommodation charges and recovery.

Decided: having considered the contents of the report, together with the actions of the Council's Benefits service to minimise subsidy losses

- (1) to note the contents of the report; and
- (2) to request that the Head of Finance and ICT provide a report in respect of the 2015/16 subsidy claim to this Panel following receipt in 2017 of the Audit Scotland report – Housing Benefits Subsidy Claim Reported Errors 2015/16.

9. Audit Scotland: Procurement in Councils – Impact Report.

There was submitted a report (issued) ([link attached](#)) of 11th April 2016 by the Head of Legal and Democratic Services advising the Panel on the Procurement in Councils Impact Report published by Audit Scotland in February 2016 and providing an update on the recommendations agreed.

Clarification was sought and provided on the need for more specialist procurement support, how the Council deals with the procurement of construction contracts, how a contractor who has failed to win a tender can find out about future procurement options and the current scrutiny of procurement.

The Head of Legal and Democratic Services agreed to consider further a way to highlight to the public the Community Benefits provided under contracts.

Decided: after consideration of the latest update for each recommendation made by Audit Scotland, detailed in Appendix 1 of the report, to note the contents of the report.

10. **Annual Audit Plan 2015/16.**

There was submitted a report (issued) ([link attached](#)) of 11th April 2016 by the Head of Finance and ICT providing background to the presentation by Audit Scotland on its Annual Audit Plan.

A member of the Panel raised a question relating to Risk 5 – Employee related claims provision on page 11 within annex 1 of the report and the means of determining the appropriate level of provision. D. Richardson, Senior Auditor, Audit Scotland, advised that this related to provision for legal claims and Audit Scotland provided assurances to Elected Members in relation to this.

A member of the Panel asked for clarification relating to Risk 7 – Financial pressures on page 11 within annex 1 of the report, specifically relating to sustainable savings in respect of Health and Social Care and how to identify these and the Head of Finance and ICT responded.

Decided:

- (1) after consideration, to note the contents of the Audit Scotland report; and
- (2) after consideration, to agree the summary assurance plan.

11. **Audit Scotland: An Overview of Local Government in Scotland 2016.**

There was submitted a report (issued) ([link attached](#)) of 11th April 2016 by the Executive Director – Resources, Governance and Organisation advising the Panel of the Audit Scotland report ‘An Overview of Local Government in Scotland 2016’

Decided:

- (1) after consideration, to note the contents of the Audit Scotland report including the recommendations; and
- (2) to agree that any specific issues be highlighted at the Elected Members briefing on 19th May 2016.

Non-Audit Reports.

12. Strategic Risk Management.

There was submitted a report (issued) ([link attached](#)) of 11th April 2016 by the Head of Property and Risk updating the Panel on the reviewed Strategic Risk Register – March 2016 (Appendix1) in line with the agreed reporting framework.

The Chair asked whether the risks identified in the Audit Scotland reports were compared with those in the Strategic Risk Management report and it was confirmed that this was done to ensure relevant risks are captured in the Register. A discussion followed on regularity of reporting of Strategic Risk Management to the Panel and it was agreed that the current 6 monthly reporting was adequate.

Decided:

- (1) to agree the 17 key risks and endorse the work currently being undertaken or prospered 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 24th May 2016 for endorsement.

13. Housing Revenue Account Business Plan Review.

There was submitted a report (issued) ([link attached](#)) of 31st March 2016 by the Head of Housing and Facilities providing an update to the Panel following a request for further information on the Housing Revenue Account (HRA) Business Plan Review Process.

A member of the Panel raised concerns relating to the lack of links between the budget setting process and the impact the capital programme had on the revenue stream and the housing business plan. The Head of Housing and Facilities advised that the life cycle and due dates of improvement work to properties were taken into consideration when setting the business plan as well as consideration of resources and any upgrades required.

A discussion followed on how information relating to debt, and the breakdown of this, should be reported to Elected Members. The Executive Director – Resources, Governance and Organisation advised that this could be considered as part of the proposed review of reporting to be undertaken by the proposed Member/Officer Working Group pre 2017 Election, to identify a more helpful way to present the information to Elected Members.

A question was raised relating to the Council's housing stock, in particular relating to the stock condition survey and it was agreed that background information relating to this would be issued through the Elected Members Bulletin.

Councillor Galbraith left the meeting during discussion of this item.

Decided: having considered the content of the report and the planned action over the course of this year, to note the contents of the report.

Internal Audit Reports.

14. Draft Internal Audit Plan 2015/16.

There was submitted a report (issued) ([link attached](#)) of 5th April 2016 by the Acting Audit Services/Programme Review Manager requesting approval of the submitted annual audit plan for 2016/2017.

A member of the Panel raised concerns relating to Internal Audit being able to manage the additional audit work relating to the Integration Joint Board and the Acting Audit Services/Programme Review Manager advised that Internal Audit would keep an eye on this and report back to the panel in the event of difficulties arising.

Decided:

- (1) to approve the annual audit plan for 2016/17; and
- (2) to request that the Acting Audit Services/Programme Review Manager implement the annual operational plan and provide updates on the progress with the plan to future meetings of this Panel.

15. 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) ([link attached](#)) of 4th April 2016 by the Acting Audit Services/Programme Review Manager advising Members of Directorates' progress in regard to the implementation of action plans and with progress on the internal audit annual plan for 2015/16.

The Chair raised concerns relating to the medium risks associated with appendix 1(d) of the report, relating to Cash Income and banking – Leisure. The Acting Audit Services/Programme Review Manager advised that since the report had been issued the department had been keeping in touch with Audit and confirmed that most risks had now been dealt with.

Decided:

- (1) to note the progress of services in the implementation of agreed action plans as per 4.2 of the report;
- (2) to note the progress of the internal audit plan for 2015/16 as per 4.4, to 4.7 and also appendix 2 of the report; and
- (3) to request the Acting Audit Services/Programme Review Manager bring agreed reports to future meetings of this Panel.

16. 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 remaining items of business on the grounds that they involved the likely disclosure of exempt information in terms of paragraph 6 of Part 1 of Schedule 7A of the Act.

17. Internal Audit – Progress – Red Reports.

There was submitted a report (issued to Members only) of 4th April 2016 by the Acting Audit Services/Programme Review Manager advising members of the findings, regarding the recent audit review, of the Creditors system.

The Panel heard from the Auditor on the work carried out by Audit and how the Audit had progressed to this stage. . Having noted a concern regarding future staffing levels in the Internal Audit service, the Panel received confirmation that Internal Audit's future focus would be on Regularity work.

The Chair thanked everyone involved in the work carried out with the Audit and requested that a progress report be brought to the next meeting of this Panel by the Head of Community Care and Health in relation to the matters discussed.

Decided: after consideration of the findings within Report 2016 - 98 and 99, detailed in appendix 1 and 2 of the report, respectively,

- (1) to note the contents of the report; and
- (2) to request that a progress report be brought to the next meeting of this Panel.

The meeting ended at 2.00 p.m.