

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 28th September 2016 at 10.00 a.m.

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

Apology: Councillor John Hampton.

Attending: V. Andrews, Executive Director – Resources, Governance and Organisation; T. Baulk, Head of Finance and ICT; D. Gillies, Head of Property and Risk; C. Boyd, Risk and Safety Manager; D. McNeil, Treasury Manager; M. Leonard, Acting Audit Services/Programme Review Manager; D. Richardson, Senior Auditor, External Audit; S. Lawton, Senior Auditor, External Audit; and J. McClure, Committee Services Lead Officer.

1. Chair's Remarks.

The Chair welcomed Pat Kenny, Deloitte, the newly appointed External Auditor, to his first meeting of this Panel as observer.

2. 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.

External Audit Reports.

3. 2015/16 Annual Audit Report and Report to Those Charged with Governance.

There was submitted a [report](#) (issued) of 22nd September 2016 by the Head of Finance and ICT submitting the Annual Accounts for the financial year ended 31st March 2016 and the proposed independent auditor's report to Members.

The Senior Auditor outlined the work undertaken on the Council's Annual Accounts, the Trusts registered as charities administered by the Council and the draft Annual Audit Report and highlighted all significant findings, key messages and action plan points.

Questions were raised by Panel Members in relation to:-

- (1) the inclusion of social work expenditure twice in the Comprehensive Income and Expenditure Account and the Senior Auditor advised that this was in compliance with guidelines with no requirement for a note within the Account;
- (2) the timescales referred to when considering "long term" and "medium term" financial strategies and the Senior Auditor advised that long term planning was for a ten year period and medium term was three to five years, and commented on the difficulty of even medium term forecasting given the annual settlement, but that use of scenario planning was therefore recommended ;
- (3) whether this authority should carry out more "integrated reporting" and the Senior Auditor advised that the performance information brought forward was of good quality, however, more integrated reporting would be advantageous; and that the principal area for improvement was the inclusion of targets as highlighted in the Action Plan; and
- (4) surpluses emerging from savings targets being exceeded and whether these savings should be taken as savings for the following financial year if they had no detriment to service delivery and the Head of Finance and ICT advised that this presently happened and that this formed part of the future budget setting exercise.

Having heard the Panel congratulate the Senior Auditor and his Team on the work carried out and congratulate officers in the Council and the Administration for the progress made to date,

Decided:

- (a) to note the auditor's covering letter regarding the audit, as attached at Annex 1 of the report;
- (b) to note the 2015/16 Annual Audit Report by Audit Scotland, as attached at Annex 2 of the report, and that the Annual Accounts and Charitable Trust Accounts had an unqualified audit opinion;
- (c) to approve the Action Plan at Appendix IV to the Audit Scotland Annual Audit Report, as attached at annex 2 of the report, designed to address the areas of concern which had been highlighted;
- (d) to approve the audited Annual Council Accounts, as attached at Annex 3 of the report, for signature and their subsequent submission to Audit Scotland by 30th September 2016;
- (e) to approve the audited Annual Charitable Trust Accounts, as attached at Annex 4 of the report, for signature and their subsequent submission to Audit Scotland by 30th September 2016; and
- (f) to agree that regular updates on progress against the Action Plan be provided to the Audit and Governance Panel.

Other Governance Reports.

4. Treasury Management Annual Report 2015/16.

There was submitted a [report](#) (issued) of 20th September 2016 by the Head of Finance and ICT 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 2015/16 (as attached at Appendix 1 of the report), and seeking Members' consideration of its contents.

Questions were raised by Panel Members in relation to:-

- (1) procedures for borrowing and the Treasury Manager advised that internal and external sources were utilised for borrowing with short-term external loans taken currently from other Local Authorities and their pension funds; and the Head of Finance and ICT advised that there would be a move to longer term external borrowing over the coming year to support delivery of the expanded capital programme;
- (2) the effect of Brexit and how this Council now approached the financial market and the Treasury Manager advised that this would be outlined in a report to the next meeting of this Panel on 24th November 2016; and
- (3) how up-to-date the prudential indicators included within the report were and the Treasury Manager advised that the prudential indicators were refreshed annually as part of the Annual Treasury Strategy report.

Decided: after consideration of the report, to remit the Annual Treasury Management Report 2015/16 to South Ayrshire Council for approval.

5. Strategic Risk Management.

There was submitted a [report](#) (issued) of 20th September 2016 by the Head of Property and Risk updating the Panel on the reviewed Strategic Risk Register – September 2016, as attached at Appendix 1 of the report, in line with the agreed reporting framework.

Questions were raised by Panel Members regarding the progress made in relation to Child Protection risks and whether the Health Board's Risk Assessment should include both the Health Board's perspectives and this Authority's perspectives rather than each organisation pursuing its own objectives and it was agreed that the Director of Health and Social Care be requested to attend the next meeting of this Panel scheduled to be held on 24th November 2016 to update the Panel on these matters.

Further questions were raised in relation to:-

- (1) the process for compiling the Risk Assessment for the Integration Joint Board as a mixture of Government bodies were involved in this and the Risk and Safety Manager advised that the processes for updating the Risk Assessments were the same and the reports were then aligned;

- (2) when the communities would take ownership of the community assets and the Head of Property and Risk advised that issues were being addressed and a report on this matter would be considered at Leadership Panel in November 2016;
- (3) whether the External Auditors had powers in terms of governance and audit once the assets had been transferred to the communities and the Executive Director – Resources, Governance and Organisation advised that once properties were transferred they were, generally, no longer the responsibility of the Council; and
- (4) the processes in place to ensure that communities did not sell on assets within a short timescale of acquiring them to achieve a large profit and the Head of Property and Risk advised that steps could be taken in disposing of properties to attempt to guard against profiteering in terms of due diligence transfers.

Decided:

- (a) to agree the 17 key risks and endorse the work currently being undertaken or proposed by risk owners to mitigate these risks; and
- (b) to agree that a report on the management of Strategic Risk be submitted to Leadership Panel on 1st November 2016 for endorsement.

The meeting ended at 11.10 a.m.