

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 26 February 2020 at 10.00 a.m.

Present: Councillors Martin Dowey (Chair), Alec Clark, Hugh Hunter, Lee Lyons, Helen Moonie and Arthur Spurling.

Apologies: Councillors Brian Connolly and Chris Cullen.

Attending: T. Baulk, Head of Finance and ICT; E. Howat, Chief Executive; W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service Lead – Corporate Accounting; C. Watt, Deloitte; and J. McClure, Committee Services Lead 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. Call-ins from Leadership Panel.

The Panel noted that there were no call-ins from the Leadership Panel of 18 February 2020.

3. Minutes of Previous Meeting.

The Minutes of the meeting of [29 January 2020](#) (issued) were submitted and approved.

4. Action Log and Work Programme.

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

The Head of Finance and ICT provided an update on the status of the Action Log and Work Programme and advised that all reports on the Work Programme were on schedule.

The Panel

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

External Audit Reports.

5. External Audit Reports – Progress to 18 February 2020.

There was submitted a [report](#) (issued) of 18 February 2020 by the Head of Finance and ICT updating the Panel on the progress being made by the Council in relation to external audit improvement actions.

Following a question on item 1.4 of the Appendix entitled 'Financial Sustainability – Transformation' and whether it was on target, the Chief Executive advised that a report was expected to be presented to the Council at its meeting on 5 March 2020 which would set out the ways the Transformation Programme should be taken forward. Following a further question on why this matter had been delayed, the Chief Executive advised that discussions had taken place between Chief Officers on where the focus should lie with this matter and that she was keen to link this report with the budget, therefore, it would be considered at the meeting of 5 March 2020 when the budget was being approved.

The Panel, having scrutinised the progress against the Council's external audit improvement actions as presented in the report,

Decided: to note the contents of the report.

6. Annual Audit Plan 2019/20.

There was submitted a [report](#) (issued) of 18 February 2020 by the Head of Finance and ICT providing background to the presentation by Deloitte on the Annual Audit Plan.

The Service Lead – Corporate Accounting and C. Watt, Deloitte provided an update to Panel on the present position with the Annual Audit Plan and the key risk areas.

Following a question on the progress of the Integration Joint Board (IJB) and how this authority compared with other local authorities, C. Watt advised that the introduction of IJBs had been a huge change for Councils and Health Boards throughout the country; that each IJB was at a different stage; and that financial funding and transparency were issues for all authorities to consider.

A full discussion took place in relation to the work of the IJB, whether members of the IJB had a clear view of their role; and the role of the IJB's Audit Committee and the Service Lead – Corporate Accounting outlined that the audit risk for the IJB was low, that the Council had reacted to the IJB's governance arrangements, particularly financial performance and how it impacted on the Council as the overspend in 2019 had an impact on this Council; and the IJB's financial governance was, therefore, monitored. The Head of Finance and ICT further advised that the IJB's Financial Regulations had been written in such a way to reference the Council's own Financial Regulations in relation to resources expended on Council Services commissioned by the IJB.

The Chief Executive outlined the process for the IJB's budget setting and advised that the IJB set its Strategic Plan and directed the Council and NHS to deliver this; and that it was for the IJB to decide how its budget was spent whilst consulting with the Council and NHS on how it intended to deliver its services. She further advised that Scottish Government directions now issued on the Integration Scheme and the Setting of Governance Arrangements were helpful and would be issued to all Councils as all authorities had similar concerns; and that the Council would still be delivering Social Care services as directed by the IJB and that this Panel would consider audit reports on social care services. The Chief Executive reiterated that Councillors had different responsibilities when sitting as a Member of the IJB.

A discussion took place in relation to the new standard for leases and the implications of this and the Service Lead – Corporate Accounting advised that there would be no implications of this in the 2019/20 audit, however, measures would require to be in place by 1 April 2020 for the 2020/21 audit; and that the new standard would have significant implications for the Council in terms of how assets were reported and contractual arrangements; and that a Working Group was currently examining this matter, however, this was going to be a time-consuming, difficult process to reach the point where the Council required to be. He further advised on the implications for the Council with regards to Common Good leases.

A Panel Member raised a question regarding the risks identified in relation to Pension Liability and the revenue implications for the Council and the Service Lead – Corporate Accounting outlined the factors which influenced the Council's contribution.

Following a question from a Panel Member on the Government's targets in relation to Climate Change and whether it was going to be a challenge to meet these targets, C. Watt, Deloitte advised that the Council was in a similar position to other local authorities and that it would be very difficult to meet these targets without investment.

The Panel, having considered the report,

Decided: to agree the 2019/20 Audit Plan, attached as Appendix 1 to the report.

The meeting ended at 10.50 a.m.