

AUDIT AND GOVERNANCE PANEL.

Minutes of a remote meeting on 1 December 2021 at 10.00 a.m.

Present: Councillors Martin Dowey (Chair), Laura Brennan-Whitefield, Douglas Campbell, Alec Clark, Hugh Hunter, Lee Lyons, Helen Moonie and Arthur Spurling.

Attending: E. Howat, Chief Executive; M. Newall, Assistant Director – People; T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; C. Boyd, Service Lead – Risk & Safety; K. Dalrymple, Service Lead – Neighbourhood Services; D. Urquhart, Senior Investigations Officer; S. Rodger, Risk and Safety Officer; and J. McClure, Committee Services Lead Officer.

Opening Remarks.

The Chair

- (1) welcomed everyone to the meeting;
- (2) took the sederunt and intimated that no apologies had been received; and
- (3) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

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 Panels of 23 November or 30 November 2021.

3. Minutes of Previous Meeting.

The Minutes of the meeting of [3 November 2021](#) (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 the Panel with an update on the status of the Action Log and Work Programme and advised that all actions had now been completed.

The Panel

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

External Audit Report

5. **External Audit Reports – Progress to 31 October 2021.**

There was submitted a [report](#) (issued) of 24 November 2021 by the Head of Finance and ICT providing Members with an update on the progress that the Council was making in relation to external audit improvement actions

The Head of Finance and ICT provided an overview of the report and advised on the current status of the actions.

A question was raised by a Panel Member on why an extension was given to the provision of webcasting of Council meetings; and the Head of Finance and ICT advised that, in order for the interactive software for these meetings to work correctly, microphones were required which allowed for electronic voting and that these had been ordered but would not be available until January 2022, at which time testing and training would require to be undertaken.

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

Decided: to note the report.

Internal Audit Report

6. **Corporate Fraud Team – Activity Report.**

There was submitted a [report](#) (issued) of 24 November 2021 by the Assistant Director – People advising the Panel of the Corporate Fraud Team's (CFT) activity from 1 April to 30 Sept 2021.

The Assistant Director – People provided an overview of the report and advised that the new Auditor had commenced employment on 29 November 2021 and that the new Chief Internal Auditor would commence employment on 13 December 2021.

Questions were raised by Members in relation to:-

- (1) the two applications for Strategic Framework Business Grants which had been investigated and reported by the CFT to the Procurator Fiscal; and the Head of Finance and ICT advised that there was a rigorous process for the payment of these grants with only two applications reported to the Procurator Fiscal as fraudulent, therefore, the process had been very successful;
- (2) the inability to carry out house visits due to Covid-19 to check that applications for community care grants from the Social Welfare Fund (SWF) were genuine; and the number of cases which would normally have been spot-checked; and the Senior Investigations Officer advised that home visits were carried out to those applicants where the processing team had highlighted a problem and the CFT were still vetting and checking applications, however, home visits could not presently be carried out due to Covid-19. The Head of Finance and ICT further advised that the Scottish Government had relaxed the rules in relation to the SWF when Covid-19 had impacted and that he would provide a written briefing to Panel Members on the number of spot checks carried out annually prior to Covid-19 if this information was readily available;
- (3) the three cases investigated by the CFT from the Education Service which had resulted in applications being rejected through the school registration process; and the Assistant Director – People confirmed that these had been placing request appeals; and
- (4) blue badge misuse and whether more work could be carried out on this matter; and the Assistant Director – People advised that this matter was dealt with by the Ayrshire Roads Alliance’s Parking Attendants who would generally issue a verbal warning in the first instance, however, the case identified would have been more serious to warrant a warning letter;

The Panel, having scrutinised the contents of the report,

Decided: to note the report.

7. **Strategic Risk Management.**

There was submitted a [report](#) (issued) of 24 November 2021 by the Head of Legal, HR and Regulatory Services updating the Panel on the reviewed Strategic Risk Register ([Appendix 1](#)) in line with the agreed reporting framework

The Service Lead – Risk & Safety provided an overview of the report and made reference to the new risk identified in relation to Ash Tree Die Back.

Questions and comments were raised by Members in relation to:-

- (1) whether the Ash Tree Die Back was being addressed by the Council; and the Service Lead – Neighbourhood Services advised that a plan was currently being developed with a report on this being submitted to Leadership Panel on 18 January 2022 if possible; that an entry had been made in the Strategic Risk Register based on lessons learned in England; that based on current estimates over 7,000 ash trees could potentially be affected by Ash Tree Die Back in South Ayrshire; that the trees could only be inspected when in full leaf; and that it was hoped to obtain funding to help investigate this matter;

- (2) whether funding would be provided by the Scottish Government to deal with Ash Tree Die Back; and the Service Lead – Neighbourhood Services advised that the funding element was critical as English Local Authorities had been required to fund these works and that he would be seeking funding internally in the first instance, however, the Council would need to seek funding from the Scottish Government through CoSLA for these works which could cost in excess of £5m, as would all Scottish Local Authorities;
- (3) whether the whole tree required to be taken down and whether all trees required to be removed; and the Service Lead – Neighbourhood Services confirmed that the whole tree did require to be taken down; and that it was anticipated that at least 75% of all Ash trees would require to be removed, however, it could be as many as 90%;
- (4) the timescale for these works; and the Service Lead – Neighbourhood Services advised that these works would be phased with the works expected to take two to three years;
- (5) biodiversity and budding and whether replacement trees would be planted; and the Service Lead – Neighbourhood Services advised that as many trees as possible would be replaced, however, some were on private land and the Council would require to work with the private owners to encourage them to replant on their land;
- (6) whether the Council had enforcement rights in relation to private properties with trees diseased by Ash Die Back; and the Service Lead – Neighbourhood Services advised that the only enforcement rights the Council had were under the Roads (Scotland) Act, whereby Ayrshire Roads Alliance (ARA) could mandate the removal of these diseased trees if they were dangerous and could fall onto a road, however, he would liaise with ARA in relation to diseased trees on privately owned land;
- (7) the disposal of the diseased trees, whether the disease was transferrable to other trees and replanting of trees; and the Service Lead – Neighbourhood Services advised that the diseased trees would be disposed of in a sustainable way; the disease was not transferable to another species; and that each site would be examined to ensure that the species of tree planted enhanced that area;
- (8) Risk 10 on “Workforce Planning” and why a Council Department had an under budgeted spend in relation to staff vacancies, however had an overspend in relation to the appointment of contractors; and the Service Lead – Risk & Safety advised that she would provide a written briefing on this matter for Panel Members;
- (9) whether problems had been experienced in filling job vacancies due to Covid-19; and the Head of Finance and ICT advised that vacancy management targets within Finance had been over-achieved but problems had been experienced in filling vacancies, not solely due to the pandemic, however, the pandemic had a major impact in ICT with it proving difficult to source skilled staff; and the and the Service Lead - Risk and Safety further advised that she would work alongside colleagues in the relevant Services to review the information within the Workforce Planning section to ensure that all risks were mitigated.;

- (10) Risk 11 “Digital Resilience” and whether initial problems with the ICT system when all staff began working from home had now been resolved; and the Head of Finance and ICT advised that this was an ever-changing environment but every effort had been made to ensure that the system was as good as possible by regularly improving processes and “rolling out” new systems;

The Panel, having considered the reviewed Strategic Risk Register ([Appendix 1](#)) updated by Chief Officers,

Decided: to note the twelve key risks and to endorse the work currently being undertaken or proposed by risk owners to mitigate these risks.

8. Treasury Management Mid-Year Report 2021/22.

There was submitted a [report](#) (issued) of 24 November 2021 by the Head of Finance and ICT providing the Panel with a mid-year treasury management update for the financial year 2021/22.

Questions and comments were raised by Members in relation to:-

- (1) the LIBOR and LIBID rates ceasing from the end of 2021 with work currently progressing to replace LIBOR with a rate based on Sterling Overnight Index Average (SONIA) and the benchmark return in the meantime being based on expected average earnings by local authorities for three to twelve months and the fact that LIBOR rates had been set at a particular rate when carrying out PFIs and whether this would have an impact on repayments; and the Head of Finance and ICT advised that this should have no impact as it was just a technical change;
- (2) the PWLB interest rate graph giving a 50 year projection had shown fairly low borrowing rates, however, due to delays in the implementation of the Capital Programme because of the pandemic, could this affect the Capital borrowing requirement in 2022/23; and the Head of Finance and ICT advised that this depended on the profile, that the latest information had taken into account the projections as of October 2021 (period 6) and that this had been considered by Leadership Panel at its meeting of 23 November 2021;
- (3) whether the Capital Financing Requirement (CFR) was within the Council's control; and the Head of Finance and ICT advised that the CFR had reduced in line with the Council's expectations of the Capital Programme and that, if the Capital Programme was adjusted and expenditure was not as great as had been anticipated, this then impacted on the following year's borrowing requirements;
- (4) the Council's borrowing portfolio; and the Head of Finance and ICT advised that long-term interest rates were monitored regularly and that the Council had recently taken out a further long-term loan on the advice of advisers, as the interest rate had gone down. He further advised that the Council had a portfolio of loans from two years to fifty years duration to have a regular repayment portfolio;

- (5) the investments made by the Council; and the Head of Finance and ICT advised that the Council had its own internal practices for investing; that investments were spread across institutions as those institutions offering higher interest rates had more risks attached; that rates were currently low across many institutions; and that this Council had been fortunate as it had over achieved with its financial target, however, had under achieved with interest rates which was due to the current market; and that he and his staff made every effort to get the highest returning investments; and
- (6) whether credence had been given to the risks to the economy due to the pandemic; and the Head of Finance and ICT advised that the ceasing of the furlough scheme, the vaccination programme and market prices were all taken into account and that officers advised him on interest rates, pricing, etc, however it was an ever changing environment; and that the Council's advisers monitored the financial market regularly, the Council took opportunities where they were presented and also avoided taking higher rate loans when the market dictated.

The Panel, having thanked the Head of Finance and ICT and his staff for the helpful and comprehensive foreword to this report and having scrutinised the contents of the report,

Decided: to remit the report to the Leadership Panel meeting of 18 January 2022 for approval.

The meeting ended at 11.15 a.m.