

AUDIT AND GOVERNANCE PANEL.

Minutes of a remote meeting on 24 February 2021 at 10.00 a.m.

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

Attending: T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; L. Miller, Chief Internal Auditor; and J. McClure, Committee Services Lead Officer.

In Attendance: G. Baird and K. Hair, Deloitte.

Opening Remarks.

The Chair took the sederunt and confirmed that today's meeting was not open to the press and public, which was permissible under the COVID-19 legislation. He also confirmed to Members the procedures to conduct this meeting and that this meeting would be recorded for minuting purposes only.

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 9 February 2021.

3. Minutes of Previous Meeting.

The [Minutes](#) of the meeting of 2 December 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 the Panel with an update on the status of the Action Log and Work Programme and advised that the outstanding item on the Action Log, a Members' Seminar on the Annual Accounts which had been requested during the audit process, had been arranged for May 2021 prior to this year's annual accounts being considered; and the Panel

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

Councillor Hunter joined the meeting at this point.

External Audit Reports

5. Audit Scotland: Local Government in Scotland - Financial Overview 2019/20.

There was submitted a [report](#) (issued) of 15 February 2021 by the Head of Finance and ICT advising of the findings from the Audit Scotland report 'Local Government in Scotland – Financial Overview 2019/20'.

A Panel Member commented that this report provided an overview of the Council's position, however, the significant points within the report should be applied when undertaking future financial planning. The Member then raised a question that, as the Scottish Government capital funding to local government in 2020/21 was decreasing by 30%, how robust was the Council's medium and long-term capital planning process and did modifications require to be made to this and the Head of Finance and ICT advised that the Scottish Government's funding had an impact on the Council's plans; that the Council had a ten year programme in place which included increased borrowing; that, having met with Members of all Political Groups and having discussed the Investment Plan, it had been agreed to continue with the Investment Plan in its present form; that the latest level of Capital Grant from the Scottish Government had been factored into the ten year plan, however, this would be reassessed if the Capital Grant changed; and that the decrease in capital funding had been taken into account and that this impacted on the Council's level of borrowing required to maintain the investment programme at agreed levels.

The Member raised a further question on whether it was possible to build additional flexibility into the Investment Plan and the Head of Finance and ICT advised that the process was robust, however, the one-year settlements from central Government and the Scottish Government proved challenging for the Council and that Local Authorities were presently lobbying COSLA to provide longer term settlements to assist Councils.

Following a question on the varying levels of Council Tax set by Local Authorities and the effect this had on service delivery and whether benchmarking should be carried out to assess the impact across Councils, the Head of Finance and ICT advised that Council Tax levels were set locally by each authority but he would convey this request for benchmarking to the auditors for their consideration.

Having heard a Panel Member state that, following the 3.9% gap in revenue funding from the Scottish Government, efficiencies and savings had been made and services were now strained, the Head of Finance and ICT agreed that expectations of Council services were still high despite funding reductions and that managing the budget was very challenging.

A question was raised regarding many Councils having multi-year indicative budgeting and whether this Council could also apply this and the Head of Finance and ICT advised that an indicative budget for the following year is outlined in budget papers; and that a long-term plan of ten years was submitted to Leadership Panel every two years giving an indication of the Council's financial position based on a number of scenarios.

Following questions on the Integration Joint Board, the Head of Finance and ICT advised that the immobilisation costs for this Authority were around £4m and that the Scottish Government was funding these costs for during the pandemic; that in relation to the changes in staffing of Chief Officers of the Health and Social Care Partnership, South Ayrshire's complement of staff was stable; and that Audit Scotland had compiled a national report on Integration Joint Board which he would issue to Panel Members.

A Panel Member enquired whether other Local Authorities had similar medium to long-term financial plans and the Head of Finance and ICT advised that other Scottish Councils had similar plans which were done on a scenario-based approach, going up to a ten-year plan as the Auditors advocated a longer-term approach for Councils.

Councillor Hunter left the meeting at this point

Following a question from a Panel Member on "the emphasis of matter" paragraph regarding "the material uncertainty in property valuations relating to Covid-19" and the impact of this, the Head of Finance and ICT advised that this terminology was used to highlight a material matter within the accounts; that Council property evaluations were undertaken in 2020 and that this authority was "a rich Council" with a large number of assets, however, this was only relevant should the Council wish to sell any assets and the Member further added that the position may need re-evaluated should the Council wish to downsize.

The Head of Finance and ICT responded to a question on the position of the Strathclyde Pension Fund and advised that Strathclyde Pension Fund was one of the most well-funded public sector schemes available and that it was hoped that the negative investment returns was a temporary matter due to the Covid-19 pandemic.

A Member raised a question in relation to the financial impact of Covid-19 and whether Government funding was expected to cover the support costs, and the Head of Finance and ICT advised that considerable funding had been provided from the Scottish Government to assist in meeting the local cost impacts and loss of income in council facilities such as leisure centres, activity centres etc. It was anticipated that further funding would also be provided for 2021/22 as part of the 2021/22 local government settlement.

The Panel, having considered the findings outlined in the Audit Scotland report 'Local Government in Scotland – Financial Overview 2019/20' (attached as [Appendix 1](#)),

Decided: to note the contents of the report.

6. External Audit Reports – Progress to 31 December 2020.

There was submitted a [report](#) (issued) of 15 February 2021 by the Head of Finance and ICT providing an update on the progress that the Council was making in relation to external audit improvement actions.

Following a question from a Panel Member on the progress made to date in relation to Hybrid meetings, the Head of Finance and ICT advised that, following the approval of reports at Leadership Panel and South Ayrshire Council, the procurement process had been completed and that, following installation, testing would require to be carried out and a protocol for meetings compiled and that all processes were on target.

Regarding a question on “Financial Sustainability – Transformation” and the revised completion date, the Head of Finance and ICT advised that this matter was progressing well, that new posts had been created and had now been advertised and that the governance arrangements were being progressed. Following a request that the Assistant Director provide a briefing note for Panel Members following the interviews, the Head of Finance and ICT advised that he would refer this request to the Assistant Director.

Having heard a Panel Member refer to the improvements made in ICT during the pandemic despite the challenges faced, the Head of Finance and ICT referred to the advances made in a very short period of time which was a positive outcome during difficult circumstances.

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.

Internal Audit Reports

7. Internal Audit - Progress Report (i) Progress of Internal Audit Plan 2020/21 and (ii) Implementation of Internal Audit Action Plans.

There was submitted a [report](#) (issued) of 15 February 2021 by the Chief Internal Auditor advising of internal audit’s progress regarding the 2020/21 internal audit plan and directorate progress in regard to the implementation of action plans.

A Panel Member asked whether works on the Ayrshire Growth Deal had been carried out in conjunction with officers from the other two Ayrshire authorities and the Chief Internal Auditor advised that she worked closely with the Chief Internal Auditors from the other Ayrshire authorities; that the internal audit arrangements had been agreed; and that the Ayrshire Growth Deal governance arrangements were in the draft Audit Plan for 2021/22.

Following a question on how the Chief Internal Auditor and her staff had engaged with staff from other Departments during the pandemic, the Chief Internal Auditor advised that certain areas of the Audit Plan had not been completed due to difficulties in engaging with other Officers and spot-checks could not be carried out, however, internal control assessments had been developed during this period and were now being rolled out to social care locations so other control arrangements had been implemented. She further advised that, due to advances in technology, she could undertake her duties by means of online meetings and screen sharing.

Having heard a question on whether online payments provided a better audit trail, the Chief Internal Auditor advised that this was easier due to no paper records and no cash-handling, however, it was more challenging as knowledge of ICT required to be developed, therefore, her staff were undergoing training on this matter.

After thanking the Chief Internal Auditor and her staff for their work on this report, the Panel, having considered the contents of the report,

Decided: to approve the proposed changes to the 2020/21 internal audit plan as highlighted at paragraph 4.2.5 of the report