

AUDIT AND GOVERNANCE PANEL.

Minutes of a meeting in County Buildings, Wellington Square, Ayr
on 26th September 2018 at 10.00 a.m.

- Present: Councillors Peter Convery (Chair), Alec Clark, Martin Dowey, Hugh Hunter and Arthur Spurling.
- Apologies: Councillors Brian Connolly, Chris Cullen and Helen Moonie.
- Attending: E. Howat, Chief Executive; T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service Lead – Corporate Accounting; L. Miller, Chief Internal Auditor; P. Kenny, External Auditor, Deloitte UK; C. Balfourt, Assistant Manager, Deloitte UK; 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 had been no call-ins from the Leadership Panel meeting which had taken place on 18th September 2018.

3. Minutes.

The Minutes of 29th August 2018 (issued) were submitted and approved.

Following a question from a Panel Member on item 6 of this minute entitled "Internal Audit – Progress report (i) Progress of Annual Internal Audit Plan 2018/19; (ii) Implementation of Internal Audit Action Plans; and (iii) External Review – Exception Reporting" and whether an update had been provided by the Chief Executive on the current staffing situation within the Internal Audit Service, the Chief Executive confirmed that she had issued a briefing to Members on this matter and had also followed this up with an update advising that the seconded member of staff had now acquired the post he had been seconded to on a permanent basis and would not be returning to the Internal Audit Service; and that the post of Auditor would be advertised shortly.

4. Final Report on the 2017/18 Audit.

There was submitted a report (issued) of 20th September 2018 by the Head of Finance and ICT providing the Annual Accounts for the financial year ended 31st March 2018 and the proposed independent auditor's report to Members of the Council, to allow the auditor to communicate the matters raised during the audit to this Panel.

The Service Lead – Corporate Accounting outlined the recommendations within the report, highlighted the key issues for the Panel’s consideration and advised that the accumulated surplus position remained unchanged from the figures reported to the Special meeting of this Panel held on 26th June 2018.

The External Auditor gave an introduction to the report and outlined the dual aspect to the public sector model of auditing; advised that he was required to give a true and fair opinion of the Council’s accounts to ensure that the accounts showed value for money, governance and transparency; and reported that the accounts were very well presented and very positive.

The Assistant Manager, Deloitte UK then highlighted in detail the recommendations for improvement within the Action Plan.

Comments were made by Members and questions were raised and responded to by officers as follows:-

- (1) with reference to the material adjustment of £13.5m to the Council’s accounts from the Strathclyde Pension Fund, the Head of Finance and ICT and the External Auditor advised that this was an issue which had been raised during the Pension Fund’s audit; was an error Strathclyde wide which resulted in a change to the long term liability held on the Council’s balance sheet, offset by a corresponding adjustment in the pension reserve; and had no other impact on this Council’s financial position;
- (2) on how to develop longer-term Financial Strategies and the Head of Finance and ICT advised that this was currently being considered by Officers;
- (3) that with regard to the recommendation that there be an integrated budget with NHS Ayrshire and Arran through the Integration Joint Board and whether this was the best way forward as this then constituted a loss of control to this authority, the External Auditor advised that this was a problem throughout Scotland which was difficult to address, however, best practice was to have an integrated budget;
- (4) on whether there was a more effective way of carrying out participatory budgeting as the Council required to ensure that priorities were met and that monies were spent at local level to ensure that communities saw results; and the Head of Finance and ICT advised that options to address this were being considered for the 2019/20 and 2020/21 budgets, with this to be achieved by March 2020;
- (5) on the current position with regard to carrying out peer reviews and the Head of Finance and ICT advised that he would investigate this and respond to Panel Members in writing;
- (6) on the view of the External Auditor that the length of time between the preparation of monitoring reports and their presentation to the Leadership Panel should be reviewed as it reduced the relevance of scrutiny and limited the time for improvements to be made; and the Head of Finance and ICT advised that various discussions had taken place on this matter, however, the timeframes were due to a reporting cycle and there was no room for manoeuvre; and the External Auditor further advised that he understood the complexities of this, however, best practice would be for a quicker turnaround which would benefit scrutiny;

- (7) on why suspense accounts reconciliations not being completed timeously was a low priority and the Service Lead – Corporate Accounting advised that all risks were prioritised with higher risk areas addressed first; and
- (8) on whether the area for ongoing improvement in relation to suspense account reconciliations was due to monies or staff and the Service Lead – Corporate Accounting advised that staff were deployed to address risks in other areas of the service, however, following the recent approval at Leadership Panel of the Service Review report, the Team’s ability to meet service demands would be strengthened.

The Panel, having thanked the Chief Executive, the Head of Finance and ICT and all staff involved in the work that resulted in unqualified accounts for the year,

Decided:

- (i) to note the 2017/18 Annual Audit Report by Deloitte LLP (Annex 1) and that the Annual Accounts and Charitable Trust Accounts had an unqualified audit opinion;
- (ii) to approve the action plan contained in the Appendices to the Deloitte LLP Annual Audit Report (Annex 1), designed to address the areas of concern which were highlighted;
- (iii) to approve the audited Annual Council Accounts (Annex 2) for signature and their subsequent submission to Audit Scotland by 30th September 2018;
- (iv) to approve the audited Annual Charitable Trusts’ Accounts (Annex 3) for signature and their subsequent submission to Audit Scotland by 30th September 2018; and
- (v) to agree that regular updates on progress against the action plan were provided to the Audit and Governance Panel.

The meeting ended at 10.40 a.m.