

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 29th August 2018 at 10.00 a.m.

- Present: Councillors Peter Convery (Chair), Alec Clark, Brian Connolly, Chris Cullen, Martin Dowey, Hugh Hunter and Helen Moonie.
- Apology: Councillor Arthur Spurling.
- Attending: T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; M. Baker, Service Lead – Corporate Planning and Improvement; D. McNeill, Treasury Manager; L. Miller, Chief Internal Auditor; and J. McClure, Committee Services Lead Officer.
- In Attendance: D. Watt, Senior Auditor, East Ayrshire Council; and T. Mackin, Business Support Manager and K. Chalmers, Traffic and Road Safety Manager, Ayrshire Roads Alliance.

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 21st August 2018.

3. Minutes of Previous Meetings.

The Minutes of the meetings of 30th May and 26th June 2018 (Special) (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).

With regard to the item in the Work Programme entitled "Annual Audit Plan 2017/18" when the Audit Director, Deloitte had been requested to provide examples of good practice in minutes in terms of demonstrating evidence of scrutiny, the Head of Finance and ICT advised that the minutes requested had not been provided, however, reference would be made to this in the Annual Audit Report being submitted to this Panel in September 2018 under the International Standard on Auditing 260 when matters relating to the audit of the financial statements are communicated to those charged with governance of a body (the Audit and Governance Panel for South Ayrshire Council) to enable appropriate action to be taken.

With reference to those items in the Work Programme with a due date to Panel to be confirmed, the Head of Finance and ICT advised that he would confirm the date these items were being submitted to this Panel at the next meeting. Following a request from a Panel Member, the Head of Finance and ICT confirmed that a comment could be marked against each item on the Work Programme advising if it was progressing in line with timescales.

The Panel

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

External Audit Reports.

5. External Audit Reports – Progress to 30th June 2018.

There was submitted a report (issued) of 22nd August 2018 by the Depute Chief Executive and Director – People providing an update on the progress that the Council was making in relation to external audit improvement actions.

A question was raised by a Panel Member on whether there had been a good response to the self-assessment checklist issued to Elected Members for completion and the Service Lead – Corporate Planning and Improvement advised that he would liaise with the Officer who had compiled the responses and report back to the Panel.

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

Decided: to note the contents of the report.

Internal Audit Reports.

6. 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.

There was submitted a report (issued) of 23rd August 2018 by the Chief Internal Auditor advising of Internal Audit's progress in regard to the 2018/19 internal audit annual plan, Directorate progress in regard to the implementation of action plans and exceptions in respect of the external review of Public Sector Internal Audit Standards (PSIAS) compliance.

Questions were raised and responded to by the Chief Internal Auditor in relation to the cost to this Council of the work carried out by Audit Glasgow; the lack of progress with the Payroll General assignment; and the reasons for any outstanding Assignments.

A full discussion took place in relation to the staffing and structure of the Internal Audit Service; the secondment of a staff member; and the recruitment for the vacant post in the structure and a Panel Member requested that the Chief Executive provide details on the current staffing situation within the Internal Audit Service.

In regard to the revised due date of 30th November 2019 (rescheduled from 30th November 2017) for the completion of the Museums Assignment, a Panel Member requested that the Chief Internal Auditor provide an update in writing to Panel Members on the current position with this matter.

The Panel

Decided: having considered the contents of the report and having outlined the importance of the Internal Audit Service,

- (1) to request that the Chief Internal Auditor continue to present a combined progress report covering both the Annual Audit Plan and the implementation of Audit Action Plans to future meetings of this Panel;
- (2) to request that the relevant officer attend this Panel to update Members where an Audit Summary report was identified as 'red'; and
- (3) to request that Directorates submit written reports to Panel explaining the reasons for requesting second or subsequent extensions of time to complete outstanding action plan points.

Councillor Moonie joined the meeting at this point.

7. Internal Audit Annual Report 2017/18.

There was submitted a report (issued) of 22nd August 2018 by the Chief Internal Auditor advising of the work carried out by Internal Audit in respect of the 2017/18 Internal Audit Plan.

Questions were raised and responded to by the Chief Internal Auditor in relation to the consequences of deferring audit assignments; the causes of slippage and whether it was due to staffing numbers; the factors which led to there being a reduction in productivity; and the auditing of the Ayrshire Roads Alliance and whether East Ayrshire and South Ayrshire were audited distinctly.

Following concerns over the proposed deferral of the property leases, it was requested that the Chief Internal Auditor provide further information regarding the basis for this deferral.

A question was raised regarding road bonds and the liability for these should there be a shortfall as Ayrshire Roads Alliance was a shared service and the Traffic and Road Safety Manager advised that this had never arisen but he would seek clarification on this matter and provide Panel Members with this information.

The Panel, having conveyed its ongoing support of the Internal Audit Service and having noted the position regarding the 2017/18 Internal Audit Plan,

Decided: to approve the deferral of audit assignments not started, to enable the 2018/19 Audit Plan to be progressed.

Other Governance Reports.

8. Treasury Management Annual Report 2017/18.

There was submitted a report (issued) of 22nd August 2018 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 2017/18, attached as Appendix 1 to the report; and requesting that Members consider the contents of the report.

Questions were raised and responded to by the Treasury Manager in relation to the reason for there being no figures in 2017 for the "Other Long Term Liability obligations"; how Lender Option Borrower Option loans operated; and the reasons for whether the Council borrowed on a short term or long term basis.

A full discussion took place in relation to PPP and debt restructuring; the stability created by using debt rescheduling; the current low interest rates; and the effects of Brexit.

The Panel, having considered the Annual Treasury Management Report 2017/18, attached as Appendix 1 to the report,

Decided: to remit the Annual Treasury Management Report for approval to the next meeting of South Ayrshire Council scheduled to be held on 4th October 2018.

9. Updated Delivering Good Governance Framework.

There was submitted a report (issued) of 23rd August 2018 by the Head of Regulatory Services presenting the alternatives for updating the existing South Ayrshire Framework using the principles of the CIPFA 2016 Delivering Good Governance Framework and advising that a workshop for Members to consider an updated South Ayrshire Council Delivering Good Governance Framework for 2018-19 would be arranged.

The Panel, having considered the CIPFA 2016 Delivering Good Governance Framework, attached as Appendix 1 to the report and having contrasted this to the existing South Ayrshire Framework as set out within Appendix 2 to the report,

Decided: to agree that the new draft South Ayrshire Framework contained in Appendix 3 to the report that had been updated to reflect the principles and behaviours of the CIPFA Framework, be considered by Members at a workshop before a final version was submitted to a future meeting of the Leadership Panel.

The meeting ended at 11.10 a.m.