

## **AUDIT AND GOVERNANCE PANEL.**

Minutes of meeting in County Buildings, Wellington Square, Ayr  
on 7th November 2018 at 10.00 a.m.

Present: Councillors Peter Convery (Chair), Alec Clark, Brian Connolly, Martin Dowey, Hugh Hunter, Helen Moonie and Arthur Spurling.

Apology: Councillor Chris Cullen.

Attending: T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; C. Caves, Head of Regulatory Services; D. McNeill, Treasury Manager; C. Boyd, Service Lead – Risk and Safety; W. Gray, Senior Manager, Planning and Performance (HSCP); L. Miller, Chief Internal Auditor; D. Urquhart, Senior Investigations Officer, Internal Audit; 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 30th October 2018.

### **3. Minutes of Previous Meetings.**

The Minutes of the meeting of 26th September 2018 (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 advised that, in relation to the first four items on the Work Programme, he was in the process of contacting Audit Scotland to establish when this authority would receive the reports listed to identify when Council reports on these matters could then be submitted to this Panel; and that he would update the Work Programme when he received clarification from Audit Scotland.

With regard to Item 8 on the Action Log entitled “Internal Audit Annual Report 2017/18” seeking clarification on road bonds and where the liability for these lay should there be a shortfall as ARA was a shared service, the Chief Internal Auditor outlined that she had received a response from the Traffic and Road Safety Manager, ARA who had confirmed

- (1) that if a road bond was called-in to complete roadworks where the developer had failed to do so and the cost of the works exceeded the bond value then any financial loss arising would fall to whichever Council area the development sat, therefore, if the development site was in South Ayrshire, the cost would be attributable to the ARA South Ayrshire “Local” budget; and
- (2) that, as previously explained to this Panel, this situation had not arisen in respect of this authority’s road bonds, however, the recent review of the Road Construction Consent and Road Bond procedures within ARA, following the internal audit, had strengthened the processes in this respect and had provided further financial protection to both Councils, an example being the new requirement that road bonds must be lodged with ARA before a Road Construction Consent could be issued.

Concerns were then raised by Panel Members on this Council’s position and liability with regard to road bonds and the Panel

**Decided:**

- (a) to note the current status of the Action Log and Work Programme; and
- (b) to request that a report on the Ayrshire Roads Alliance be submitted to a future meeting of this Panel outlining the Council’s position.

**External Audit Reports.**

**5. External Audit Reports – Progress to 30th September 2018.**

There was submitted a report (issued) of 30th October 2018 by the Head of Finance and ICT updating the Panel on the progress that the Council was making in relation to the external audit improvement actions.

Concerns were raised regarding the timescales for the Best Value Working Group submitting a new action plan to this Panel on 23rd January 2019 and the date for setting the budget and the large amount of work to be undertaken between these dates and the Head of Finance and ICT advised that the budget would be set on the basis of the Council’s priorities, however, he would liaise with officers and provide a written response to Panel Members on the reason for the timescales proposed.

A question was raised regarding the progress for the engagement strategy being developed to align with the current development of Place Planning and the Head of Finance and ICT advised that he would seek a response for Panel Members from the appropriate officer.

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.

**Attendance of Officers.**

Concern was expressed that the relevant officers were not present to answer questions relating to the above item and the Panel

**Decided:** that, prior to a meeting, should a Member be aware of a question that they wished to ask at the Panel, they should advise an officer in Committee Services who would ensure that the relevant officer was in attendance at the Panel.

**Internal Audit Reports.**

**6. Internal Audit – Revised Audit Plan 2018/19 and Progress Report (i) Revised Annual Audit Plan 2018/19; (ii) Progress of Annual Internal Audit Plans 2017/18 and 2018/19; and (iii) Implementation of Internal Audit Action Plans.**

There was submitted a report (issued) of 30th October 2018 by the Chief Internal Auditor

- (1) advising of internal audit's progress in relation to the 2017/18 and 2018/19 internal audit annual plans and Directorate progress regarding the implementation of action plans; and
- (2) seeking approval to revise the internal audit plan for 2018/19

The Chief Internal Auditor outlined the key points within this report; advised that the post of Auditor had now been filled and the successful candidate would commence work in January 2019; and, having reported on the storage of the Council's assets and artefacts, outlined that a site visit could be arranged for Panel Members to visit some stores where the Council's artefacts were kept. The Panel acknowledged the huge workload involved in updating the museums' inventory, however, stated that this should be given priority and undertaken as soon as possible.

Following a question from a Panel Member on what was being done to safeguard the artefacts, the Chief Internal Auditor advised that the Museums Co-ordinator was currently examining this matter, that the storage area at the John Pollock Centre was secure; and that Asset Management were currently attempting to identify another storage area; and the Service Lead – Democratic Governance further advised that there was a new building being constructed in South Harbour Street, Ayr which would have an environmentally controlled area for the storage of art.

The Panel, having considered the contents of the report regarding assignment progress and implementation of issued action plans,

**Decided:**

- (a) to approve the revision to the 2018/19 audit plan;
- (b) that the Economy and Culture Portfolioholder should be advised of the Panel's concerns regarding the storage of the Council's art and artefacts; and
- (c) to request that a report should be submitted to the Leadership Panel in due course on the proposals for taking an inventory of and the storage of the Council's art and artefacts.

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

There was submitted a report (issued) of 30th October 2018 by the Chief Internal Auditor advising of the activity and performance of the Corporate Fraud Team (CFT) from April to October 2018.

Following a question on blue badge misuse, the Senior Investigations Officer highlighted the difficulties in monitoring the misuse of these badges; outlined the works currently being carried out by the Parking Enforcement Officers and the CFT staff to combat this; and advised of the penalties for blue badge misuse.

A further question was raised on the penalty for housing tenancy fraud and the Senior Investigations Officer outlined the steps taken in dealing with this fraud.

The Panel

**Decided:** to note the contents of the report.

8. **Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC).**

There was submitted a report (issued) of 30th October 2018 by the Chief Internal Auditor providing an annual report on internal audit work carried out for the Integration Joint Board (IJB) by the Council and NHS internal audit teams.

A full discussion took place in relation to the “writing off” of the NHS’s debts for 2017/18; the Council’s 2018/19 projected underspend and the transfer of monies and Panel Members expressed concerns regarding the Council receiving value for money; the Council’s lack of control over the budget; and whether the Council’s monies would be vired over to subsidise the NHS monies. The Senior Manager, Planning and Performance (HSCP) advised that monies could be transferred over either way to allocate monies in line with priorities; that the IJB was responsible for setting a budget to deliver an integrated health and social care service and that there was full transparency with how the budget was utilised.

The Senior Manager, Planning and Performance (HSCP) further outlined the current position with the HSCP budget and advised that resources from this authority and the NHS had been integrated since the establishment of the Integration Joint Board in 2015; and that, as pressures increased on the delivery of health and social care, it was important that monies were utilised where required most.

The Panel, having outlined the necessity for the Council to scrutinise the spending of this budget,

**Decided:** to note the contents of the report.

**Point of Order.**

Councillor Moonie outlined that, with regard to Item 6 of this Minute entitled “Internal Audit – Revised Audit Plan 2018/19 and Progress Report (i) Revised Annual Audit Plan 2018/19; (ii) Progress of Annual Internal Audit Plans 2017/18 and 2018/19; and (iii) Implementation of Internal Audit Action Plans”, Pages 11 to 19 of the Appendices attached to this report had not been discussed and scrutinised and she requested that this item be revisited.

Following discussion, the Chair advised that he sought approval of this report from the Panel earlier in the agenda and that approval was granted, therefore, he would not be returning to this report.

Councillor Moonie requested that her dissatisfaction at this decision be noted.

**Other Governance Reports.**

**9. Strategic Risk Management.**

There was submitted a report (issued) of 30th October 2018 by the Head of Regulatory Services providing an update on the reviewed Strategic Risk Register – October 2018 (Appendix 1 to the report) in line with the agreed reporting framework.

A discussion took place in relation to the scoring mechanism and the Service Lead – Risk and Safety advised that allocating scores was a subjective process and she outlined the “likelihood of risk” assigned to each number.

A question was raised regarding the Council’s position when using sub-contractors in regards to the health and safety of service users and the Member asked who was liable should an accident occur and the Service Lead – Risk and Safety advised that there was a robust policy in place for contractors to adhere to, to ensure that they complied with health and safety legislation; that checks were made prior to the contractor being appointed with contractors required to demonstrate that they had a health and safety system in place; that the Clerk of Works carried out on-site inspections to ensure that regulations were being adhered to; and that she would submit a report to a future meeting of this Panel on the processes for appointing contractors and checks carried out on their operation.

Following a question on the arrangements for PDRs taking place to ensure that all staff took part in the appraisal process, the Service Lead – Risk and Safety advised that PDRs were mandatory and would be carried out for every member of staff by their line manager.

Regarding a question on the value of workforce planning reports, the Service Lead – Risk and Safety outlined that it was useful to obtain information on the employees within a team, the skills of the team, the experience within the team and the age range to enable workforce planning to be carried out.

Concerns were then raised by Members in relation to very experienced staff leaving the employment of the Council and subsequently a lot of knowledge then being lost; due to budget cuts, less experienced staff being redeployed into posts; and staff requiring to be multi-skilled.

The Panel, having considered the revised Strategic Risk Register developed by the Chief Officers at Appendix 1 to the report,

**Decided:**

- (1) to agree the ten key risks and to endorse the work currently being undertaken or proposed by risk owners to mitigate these risks;
- (2) to remit the Strategic Risk Register to the Leadership Panel of 27th November 2018 for endorsement;
- (3) to request that ELT re-examine the categories of risk, particularly category 3 to give more flexibility; and
- (4) that a report be submitted to a future meeting of this Panel outlining the processes for appointing external contractors and the checks carried out on their operation.

**Councillors Hunter, Moonie and Spurling left the meeting at this point.**

**10. Treasury Management Mid-Year Report 2018/19.**

There was submitted a report (issued) of 30th October 2018 by the Head of Finance and ICT providing a mid-year Treasury Management update for the financial year 2018/19.

Following a question on the variances in the figures in the Capital Expenditure budget, the Head of Finance and ICT explained that that a major factor in this was the Council agreeing not to proceed with the office accommodation project; that there had been some realigning of projects in the HRA Capital Programme; and that a budget report would be submitted to Leadership Panel on 27th November 2018 providing further information.

A full discussion took place in relation to long-term and short-term borrowing and the Treasury Manager responded to questions outlining the current position in relation to the Council's borrowing; the current economy; the Monetary Policy Committee's (MPC) increase of the bank rate; the Council's portfolio regarding borrowing from and lending to other local authorities; and the impact of Brexit on the Council.

The Panel, having scrutinised the contents of the report and having thanked the Head of ICT and his staff for their work on this report,

**Decided:** to remit the report to the Leadership Panel of 27th November 2018 for approval.

The meeting ended at 12.10 p.m.