

AUDIT AND GOVERNANCE PANEL (SPECIAL).

Minutes of special meeting in County Buildings, Wellington Square, Ayr
on 26 June 2019 at 10.00 a.m.

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

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; and J. McClure, Committee Services Lead Officer.

Also

Attending: P. Kenny, External Auditor.

1. Declarations of Interest.

There were no declarations of interest by Members of the Panel in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

2. Annual Accounts 2018/19.

There was submitted a [report](#) (issued) of 20 June 2018 by the Head of Finance and ICT presenting the unaudited Annual Accounts for the year ended 31 March 2019 ('the unaudited Accounts').

Following questions from Panel Members on a number of issues, the Panel noted:-

- (1) that the five Common Good sub-funds were broken down within the income and expenditure accounts and as fixed assets, however, they were reported collectively on the balance sheet;
- (2) that the "Termination Benefits" to 77 employees were part of a budget savings exercise, falling within the Managing Change Policy;
- (3) that in relation to "Contingent Assets and Liabilities", these did not meet the criteria for inclusion in the accounts and are therefore disclosed only as a note to the accounts;
- (4) that the level of debt outstanding for more than one year in the "Credit Risk" section of the accounts was an accumulation of debts due to the Council through the ongoing business and not one specific debt; and that it was not expected that this non-collection rate would increase in the coming year;
- (5) that with regards to the Council's investment in Freeport (Scotland) Ltd. in the Price Risk section of the accounts, this was shown as an asset on the balance sheet and represented the Council's share of the company;

- (6) that in relation to the bad debts figure and the allowance for doubtful debts, a prudent view had been taken in terms of the level of provision required; and that the Council continued to collect debts and, should debts be written off, these were still pursued through partner agencies; and
- (7) that “other expenditure” within the HRA section of the accounts was any costs not already listed e.g. admin costs, supplies and services and financing costs.

A full discussion took place in relation to:- the need to ensure that there was fair and equitable investment in all South Ayrshire towns; the overall position of the pension fund and the Council’s contributions to this; the need for improvement in the “doubtful debts” within the HRA rent arrears section of the accounts; and the total usable reserves figures and the unusable reserves.

Following discussion on the Heritage Assets and the need for the valuation of these Assets to be estimated and updated as required, the Head of Finance and ICT advised that he would liaise with the External Auditor on the valuations of these items.

The Panel, having commended the Head of Finance and ICT and his staff on their work on these unaudited Annual Accounts,

Decided:

- (a) having considered the unaudited Annual Accounts (Appendix 1 to the report) prior to their submission to the Council’s External Auditors, to note that all figures remained subject to audit;
- (b) having considered the unaudited Charitable Trust Accounts (Appendices 2 to 4 to the report) prior to their submission to the Council’s External Auditors, to note that all figures remained subject to audit; and
- (c) to request that the Head of Finance and ICT report back to a future meeting of this Panel following completion of the audit.

3. External Audit – Interim Audit Report 2018/19

There was submitted a [report](#) (issued) of 20 June 2019 by the Head of Finance and ICT presenting the proposed independent auditor’s Interim Audit report; and allowing the auditor to communicate the matters raised during the audit to Panel.

The External Auditor outlined the four audit dimensions; the key elements within the report; and the recommendations for improvement.

Following questions from Panel Members, the Panel noted that, in relation to Governance and Transparency, External Audit had no real concerns regarding the risk that the internal audit action plan could fall behind schedule or not be achieved.

A full discussion then took place in relation to Participatory Budgeting; the progress being made in achieving the Scottish Government's 1% target of net expenditure by the end of 2021; this matter being a medium risk in the Action Plan; and feedback received from the public; and the External Auditor confirmed that good evidence had been produced of the Council's ambitious approach to Participatory Budgeting.

Having congratulated the External Auditor on his report and having emphasised the importance of the Audit and Governance Panel and the scrutiny it undertook, the Panel

Decided:

- (1) to note the 2018/19 Interim Audit Report by Deloitte LLP (Annex 1 to the report) and Sector Developments Report (Annex 2 to the report);
- (2) to approve the action plan contained in the Appendices to the Deloitte LLP Interim Audit Report (Annex 1 to the report), designed to address the areas of concern which were highlighted; and
- (3) to agree that regular updates on progress against the action plan be provided to the Audit and Governance Panel.

4. Chair's Remarks.

The Chair expressed his thanks to the former Chair, Councillor Convery for his hard work during his term as Chair of this Panel.

The meeting ended at 11.05 a.m.