

## **AUDIT AND GOVERNANCE PANEL.**

Minutes of meeting in County Buildings, Wellington Square, Ayr  
on 28 August 2019 at 10.00 a.m.

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

Apologies: Councillors Brian Connolly and Chris Cullen.

Attending: E. Howat, Chief Executive; T. Eltringham, Director of Health and Social Care; T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service Lead – Corporate Accounting; M. Baker, Service Lead – Corporate Planning and Improvement; L. Miller, Chief Internal Auditor; D. Love, Senior Accountant – Capital/Treasury; 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 were no call-ins from the Leadership Panel of 20 August 2019.

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

The Minutes of the meetings of [29 May 2019](#) and [26 June 2019 \(Special\)](#) (issued) were submitted and approved.

Following a question from a Panel Member on the Minutes of 29 May 2019 (Page 1, paragraph 2 – “VAT Recoveries”) regarding the present position with the ring-fenced monies, the Head of Finance and ICT advised that these monies had now been transferred to the Capital Fund to support capital projects and work was ongoing within the Directorate of Place in terms of projects to be funded from this funding source..

### **4. Action Log and Work Programme.**

There was submitted an update of the [Action Log and Work Programme](#) for this Panel (issued).

Following a question from a Panel Member on the submission of the briefing note on “Delivering Good Governance”, the Panel noted that this had been circulated to all Members on 8 August 2019.

The Panel

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

## **External Audit Reports.**

### **5. Best Value Working Group – Updated Action Plan.**

There was submitted a [report](#) (issued) of 21 August 2019 by the Depute Chief Executive and Director – People providing an updated Action Plan for the Best Value Working Group (BVWG).

A Panel Member raised a question on whether the Service Lead – Corporate Planning and Improvement was satisfied with the progress being made and the Service Lead outlined that the Council had carried out a commensurate level of work in relation to oversight of Best Value and that the Best Value Working Group had an effective oversight of the progress being made and that he was comfortable with this progress.

Questions were raised and responded to by the Service Lead – Corporate Planning and Improvement in relation to the date of the next Best Value report being submitted to this Panel and the progress being made by the Best Value Working Group.

A discussion took place in relation to the need for regular Best Value reports to enable the Panel to reflect on the previous recommendations; the need to progress the recommendations timeously; and the need to improve on areas of weakness; and the Chief Executive outlined that the External Audit report considered by this Panel at the meeting of 26 June 2019 had covered the areas External Audit were examining and had given an indication of the current position; that all areas highlighted in previous audits had been addressed; that feedback from External Audit had been outlined in the Work Programme, including the need to carry out regular self-evaluation; and that a Members' Seminar for all Members on Best Value should be held to update all Members.

A Panel Member commended the work carried out by Officers, highlighted the progress made in recent years; and the good relationships now established with External Audit and the Panel

#### **Decided:**

- (1) to note the Action Plan setting out the Best Value Working Group oversight, attached as Appendix 1 to the report;
- (2) to request that a further update be provided to this Panel on 26 February 2020; and
- (3) to request that the Chief Executive arrange a Members' Seminar on Best Value for all Members.

### **6. External Audit Reports – Progress to 30 June 2019.**

There was submitted a [report](#) (issued) of 21 August 2019 by the Head of Finance and ICT providing an update on the progress being made in relation to external audit improvement actions.

A question was asked by a Panel member in relation to the methods of public engagement (Appendix 1 - 1.5 Financial sustainability - Community involvement) and the Service Lead – Corporate Planning and Improvement advised that a Communities Fun Day was taking place at the Citadel on 14 September 2019 where his Section had a stall to engage with members of the public regarding the Council budget and that a report on Engaging with Communities was being submitted to Leadership Panel on 17 September 2019.

Following a Panel Member's comment that it was pleasing that External Audit were satisfied with the Council's approach to Participatory Budgeting, the Head of Finance and ICT advised that himself and the Chief Executive had met with officers from External Audit following the last meeting of this Panel and that External Audit were comfortable with the Council's approach and had advised on what they were expecting in future.

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

There was submitted a [report](#) (issued) of 21 August 2019 by the Chief Internal Auditor providing an annual report on internal audit work carried out for the Integration Joint Board (IJB) by the South Ayrshire Council and NHS Ayrshire and Arran (NHSAAA) Internal Auditors.

Following a question from a Panel Member on where South Ayrshire featured compared to other Local Authorities, the Chief Internal Auditor advised that South Ayrshire Council was at a similar stage to East Ayrshire Council and North Ayrshire Council as each Authority had handled matters in a similar way, however, each Authority was now approaching matters in different ways in relation to key risks.

A Panel Member commented on the importance of governance arrangements as the Council had representatives on the Integration Joint Board and required to retain some control over decision making and the Chief Internal Auditor advised that she was putting a three year plan in place and was ensuring that each audit was in harmony with previous years and flowed well.

A Panel member raised a question on how governance impacted on the Council and the IJB's progress and the Chief Internal Auditor advised that this was currently being assessed and was part of the Integration Scheme review of roles and responsibilities.

Following a question from a Panel Member on governance arrangements and whether there was a requirement for the various Audit Committees of the Council and the Health Board, the Chief Executive advised that a Ministerial Group had been established where this matter was being examined across Scotland; and that an Action Plan was being submitted to Panel shortly for approval. The Chief Executive then outlined the roles of the Council and the IJB and the Chief Internal Auditor's role and., following a question from a Panel Member, confirmed that the Council did not receive a fee from the IJB for the works carried out by Internal Audit.

The Panel, having considered the contents of report,

**Decided:** to note the report.

**8. Internal Audit – Progress Report (i) Progress of Annual Internal Audit Plan 2018/19; (ii) Progress of Annual Internal Audit Plan 2019/20 (iii) Implementation of Internal Audit Action Plans.**

There was submitted a [report](#) (issued) of 21 August 2019 by the Chief Internal Auditor outlining Internal Audit's progress regarding the 2018/19 and 2019/20 internal audit plans; and directorate progress regarding the implementation of action points.

A question was raised by a Panel Member regarding the 'red report' on Revenue Contracts and Creditors Care Payments having previously being audited in 2016 and whether this was a normal timescale and the Chief Internal Auditor advised that this had been a complex audit and that some actions from 2016 had not been implemented, therefore, it had been reported again. Following a question on why these actions had not been implemented, the Director of Health and Social Care advised that, having identified a significant backlog of contract work, he had worked with officers in Internal Audit and Procurement to tackle the issues identified and confirmed that, while progress had been made, work still required to be carried out in relation to monitoring contracts. Assurances were provided that Best Value was being achieved.

Questions were then raised and responded to by the Chief Internal Auditor in relation to timescales for follow-up reports following the initial audits; the confidentiality of "red reports"; and whether the IJB Audit Committee was also advised of actions not implemented.

Comments were made by Members regarding more detailed "red reports" being required; and that "amber reports" should be focussed on to ensure that they did not become "red reports".

Following a question from a Panel Member on whether actions had been taken to meet the recommendations in the "amber report" on Review of Income Control Procedures – Ayr Town Hall, the Service Lead – Corporate Accounting advised that there was a joint responsibility between the Service and Finance and that he had been working in liaison with the Service to ensure that all issues were resolved.

Having heard various questions from a Panel Member on the Appendix regarding Follow Up – ARA Road Bonds, the Chief Internal Auditor advised that she would clarify matters with Ayrshire Roads Alliance and provide a response to Panel Members.

The Panel, having noted the contents of the report

**Decided:** to request that the Director of Health and Social Care submit a detailed report on 'Revenue Contracts and Creditors Care Payments' to the meeting of this Panel scheduled to be held on 6 November 2019.

### **Other Governance Reports.**

#### **9. Treasury Management Annual Report 2018/19.**

There was submitted a [report](#) (issued) of 21 August 2019 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 2018/19 (attached as Appendix 1 to the report).

The Panel, having considered the contents of report,

**Decided:** to remit the Annual Treasury Management report to the next meeting of the Leadership Panel scheduled to be held on 17 September 2019, for approval.

The meeting ended at 11.05 a.m.