

AUDIT AND GOVERNANCE PANEL.

Minutes of meeting in County Buildings, Wellington Square, Ayr
on 29 May 2019 at 10.00 a.m.

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

Apology: Councillor Arthur Spurling.

Attending: Eileen Howat, Chief Executive; T. Baulk, Head of Finance and ICT; W. Carlaw, Service Lead – Democratic Governance; T. Eltringham, Director of Health and Social Care; T. Simpson, Service Lead – Corporate Accounting; C. Boyd, Service Lead – Risk and Safety; M. Baker, Service Lead – Corporate Planning and Improvement; L. Miller, Chief Internal Auditor; D. Urquhart, Senior Investigations Officer; S. Turner, Head of Roads, Ayrshire Roads Alliance; C. McGhee, Auditor, East Ayrshire Council; and E. Wyllie, Committee Services Officer.

Also

Present: Councillors Iain Campbell and Peter Henderson, Portfolio-holder for Resources and Performance (for Call-in).

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-in from Leadership Panel of 14 May 2019 – VAT Recoveries.

Reference was made to the Minutes of the Leadership Panel of 14 May 2019 (Page 4, paragraph 9) when the Panel agreed to transfer to the Capital Fund the net recovered VAT sum of £2,194,785 to be ring fenced to support future capital investment in sporting and leisure type capital projects.

The Panel was advised that the report had been the subject of a call-in ([issued](#)), details of which were outlined by Councillor Iain Campbell when he introduced and spoke to the call-in.

A question was raised by a Panel Member in relation to why the decision had been made that the Council should retain these monies rather than refund individual users and groups. The Head of Finance and ICT advised that the cash receipting system and financial ledger system was used to help make this claim from the period 2012-2017; however, the system could not identify who paid this money in the first instance especially so with the introduction of GDPR in 2017. It was considered that it would not be equitable to return funds to only those who could prove that they had used sporting and leisure services during that time and not return funds to others. It would be a significantly onerous task in terms of staffing resources to administer refunds.

A discussion took place in relation to the decision made by the Leadership Panel and Councillor Henderson, Portfolio-holder commented that this approach ensured that members of South Ayrshire participating in sporting and leisure services would benefit from these ring-fenced monies. He added that the Council had followed procedures and that no irregularity had taken place.

Councillor Moonie, seconded by Councillor Clark, moved that the Panel agree with the decision made by the Leadership Panel.

By way of amendment, Councillor Hunter, seconded by Councillor Convery, moved that this matter be referred back to the Leadership Panel and that officers be asked to produce a paper for the Leadership Panel identifying the options to make refunds available to the members of the public who had paid VAT to use South Ayrshire facilities in respect of which the Council received a refund of VAT of £2.2 million.

On a vote being taken by a show of hands, three members voted for the Amendment and four for the Motion which was accordingly declared carried.

The Panel, following review

Decided: to uphold the decision of the Leadership Panel.

3. **Minutes of Previous Meetings.**

The [Minutes](#) of the meeting of 20 March 2019 (issued) were submitted and approved, moved by Councillor Convery, seconded by Councillor Connolly.

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

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

A discussion took place in relation to this Panel's workload and it was noted that, on occasion, the content of the agenda was onerous for members to fully scrutinise reports.

The Panel

Decided: to note the current status of the Action Log and Work Programme and to request that the content of the agenda be reviewed to ensure that Members were able to fully scrutinise the business of any given meeting.

External Audit Reports.

5. **External Audit Reports – Progress to 31 March 2019.**

There was submitted a [report](#) (issued) of 20 May 2019 by the Head of Finance and ICT updating the Panel on the progress that the Council was making in relation to external audit improvement actions.

A question was asked in relation to EA2017/01 Annual Report on 2016/17 Audit – September 2017 and the position with the action plan and the Best Value Working Group (BVWG). The Service Lead – Corporate Planning and Improvement provided an update on the Audit Scotland report and CIPFA information and that the BVWG would consider all this information as well as self-evaluation processes. It was noted that a report on *Best Value – Next Steps* appeared later on this agenda.

In respect of EA2018/01 Annual Report on 2017/18 Audit – September 2018:-

- (1) and a question around the timescales associated with the production of the long-term financial strategy (1.1), the Head of Finance and ICT advised that work had commenced although the long-term budgetary implications from the Scottish Government were awaited. It was noted that it was planned that the financial strategy should be presented to the meeting of the Leadership Panel taking place on 17 September 2019; and
- (2) and Governance - community involvement (1.7), a question was asked on how progress had moved from the previously reported 33% to 90%. A further question was also asked in relation to 1% of the overall Council budget being influenced by communities. The Service Lead - Corporate Planning and Improvement advised that the 33% previously reported was an oversight as a huge amount of work had been undertaken over the past year. This work included engaging better with our communities, staff training and participatory budgeting events with a report on participatory budgeting being submitted to the meeting of Leadership Panel on 11 June 2019. This report would set out options for participatory processes to influence a minimum of 1% of Council budget allocation.

A discussion took place in relation to 1% of the Council budget allocation and what this meant for communities and the Head of Finance and ICT advised that the Scottish Government stated that local authorities would calculate 1% of its budget and use this to engage with communities. It was noted that this was a methodology to engage with communities and did not mean that communities were given these funds to spend. For South Ayrshire Council, 1% equated to around £2m.

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.

6. Audit Scotland: Safeguarding Public Money: Are You Getting It Right?

There was submitted a [report](#) (issued) of 20 May 2019 by the Head of Finance and ICT advising of the findings from the Audit Scotland report "Safeguarding Public Money : Are You Getting It Right?".

A question was asked by a Panel member if the Council was confident that appropriate measures were in place to mitigate any risks associated with safeguarding public money and the Head of Finance and ICT advised that there were no guarantees however the role of the Chief Internal Auditor and her team was to mitigate against such risks by ensuring the relevant controls were implemented.

The Panel, having considered the appropriate action points in relation to the Checklists for Councillors

Decided: to note the findings outlined in the Audit Scotland report “Safeguarding Public Money: Are You Getting It Right?” (attached as Appendix 1 to the report).

7. **Audit Scotland: Local Government in Scotland – Challenges and Performance 2019.**

There was submitted a [report](#) (issued) of 20 May 2019 by the Depute Chief Executive and Director – People advising of the Audit Scotland report “Local Government in Scotland – Challenges and Performance 2019”.

A Panel member asked a question in relation to the progress being made with communities, partners and the third sector to drive transformational change and the Lead Officer – Corporate Planning and Improvement commented on conversations with a range of community groups. It was noted that the Local Outcomes Improvement Plan had recently been refreshed and this included examples of transformational change and outcomes with partners and community groups. The Lead Officer – Corporate Planning and Improvement reported on the use of better qualitative data and the ability to include many more examples in our reporting to provide a fuller picture. This information was also gathered via equalities reporting and reports to the Council’s Service and Performance Panel routinely highlighted the use of qualitative data. The Panel noted that there were a number of good examples which demonstrated that partnership working could be very effective although a concern was expressed regarding the pace of change in some instances.

The Panel, having considered the contents of the Audit Scotland report (attached as Appendix 1 to the report)

Decided: to approve the recommendations within the Audit Scotland report.

8 **Best Value – Next Steps.**

There was submitted a [report](#) (issued) of 20 May 2019 by the Depute Chief Executive and Director – People providing an update on the approach to Best Value (BV) and the associated oversight of the Best Value Working Group (BVWG).

The Panel

Decided: having considered the progress being made against Best Value preparedness, to agree to the presentation of an action plan for the BVWG to a future meeting of this Panel on 28 August 2019, concentrating on the following areas:-

- (1) strategic oversight of BV preparedness;
- (2) considering self-evaluation landscape and potential gaps across services;
- (3) oversight of How Good Is Our Council activity being reinvigorated as the self-evaluation tool, where no other mechanism exists;

- (4) evaluating the extent to which self-evaluation fed into improvement planning and, therefore, considering the extent to which we were generally delivering BV and were an improving Council; and
- (5) oversight of change and transformation.

Internal Audit Reports.

9. Corporate Fraud Team – Activity Report.

There was submitted a [report](#) (issued) of 20 May 2019 by the Chief Internal Auditor advising of the activity and performance of the Corporate Fraud Team (CFT) from October 2018 to March 2019.

A question was asked in relation to blue badge parking permits and the Senior Investigations Officer provided a breakdown of the numbers concerned and reasons for misuse. He also detailed the reporting process and system.

In relation to pursuing former tenants for housing debt, the Senior Investigations Officer explained that the CFT follow-up those cases that the Sheriff Officers could not trace. The CFT used social media and credit checks to locate former tenants and had managed to recover around 50% of debt. In terms of resourcing to pursue these cases, it was noted that it was only cases of a certain level with a decree in place that were then pursued by the CFT. In relation to preventative measures towards debt, it was noted that the CFT had been increasing their visibility to maximise recovery however the Housing Service had its own processes and procedures regarding rent collection and managing rent arrears. The Chief Internal Auditor advised that Internal Audit would be looking at these controls as part of its 2019/20 Audit Plan.

In respect of employee investigations, the Senior Investigations Officer provided an update and added that one case referred to Police Scotland had not been pursued so the Council had dealt with the matter internally.

The Panel, following scrutiny

Decided: to note the contents of the report.

10. 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; and (iv) External Review – Exception Reporting.

There was submitted a [report](#) (issued) of 20 May 2019 by the Chief Internal Auditor outlining Internal Audit's progress regarding the 2018/19 internal audit annual plan; progress regarding the 2019/20 internal audit 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 compliance.

A question was asked by a Member of the Panel in relation to timescales around assurances being sought from services and the Chief Internal Auditor advised that reasonable timescales were agreed between the service and Internal Audit depending on the risk involved.

In relation to the amber summary on property releases and the 328 active properties held on the Council's Asset Management System, a question was asked in respect of the mechanisms in place so that members were able to undertake scrutiny, be fully informed of the outcome, as well as the timescales involved, and whether this needed to be added to the Council's risk register. The Chief Internal Auditor advised of the ongoing work between the Estates Team and Legal Services and that the Estates Team was well aware of issues on a lease by lease basis. It was noted that once the work was concluded, actions would be added to Pentana (the Council's monitoring and reporting system) and Internal Audit would be able to view progress and undertake a follow-up, if necessary.

In terms of the red summary report relating to Oracle Access Controls, the Service Lead – Corporate Accounting provided an update to members and added that this review had been requested due to the findings of an Audit Scotland report on another Council. It was determined that that situation could not happen within South Ayrshire, however, it highlighted another potential risk and the process has since been updated to mitigate that risk. Reassurances were also provided by way of a monthly review report to Senior Officers.

The Panel

Decided: to note the contents of the report.

11. **Internal Audit Annual Report 2018/19.**

There was submitted a [report](#) (issued) of 20 May 2019 by the Chief Internal Auditor advising of the annual report on internal audit activity during 2018/19; and providing an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2019.

In relation to the level of resources, the Chief Internal Auditor confirmed that the service was now fully staffed although there was one resource gap identified relating to the pupil equity funding assignment which would be outsourced to another local authority.

Clarification was sought in relation to Internal Audit productivity and what was classed as direct and indirect audit time and the Chief Internal Auditor provided an explanation and advised that an example of indirect related to staff changes within the team and training requirements.

The Panel

Decided: to note the contents of the report.

12. **Internal Audit Update – Ayrshire Roads Alliance (ARA).**

There was submitted a [report](#) (issued) of 20 May 2019 by the Chief Internal Auditor advising

- (1) that the Governance and Scrutiny Panel of East Ayrshire Council had considered the Internal Audit Annual Report 2018/19 on 25 April 2019 and had approved the Internal Audit Plan 2019/20; and

(2) that this update report reflected the ARA items included in those reports.

Clarity was sought in relation to a reference to a report detailed at 4.1.1 of the report and the Chief Internal Auditor advised that this related to Agenda Item 10 and the inclusion of the green summary report on ARA – Payment Controls.

In relation to a question on Girvan Harbour, it was noted issues had been addressed by Internal Auditors at East Ayrshire Council and that a cashless system had been implemented.

The Panel

Decided: to note the contents of the report.

Other Governance Reports.

13. Delivering Good Governance – 2018/19 Assessment.

There was submitted a [report](#) (issued) of 21 May 2019 by the Head of Regulatory Services outlining the 2018/19 year end assessment against the Council's Delivering Good Governance Framework.

In terms of the improvement action detailed within Appendix 2 of the report relating to the arrangements in place for handling confidential reports, a Member stated that although these measures had eradicated leaks, it had resulted in another issue in that due diligence was constrained and it impacted on the ability of members to act in their political groups. It was requested that other solutions be sought and the Service Lead – Democratic Governance advised that she would feedback these comments accordingly.

In relation to the Year End Assessment and the statement in relation to the six locality planning groups on Page 4 of Appendix 1, concerns were raised in respect of the lack of supporting evidence to validate this statement. The Service Lead – Democratic Governance advised that, as the Director of Health and Social Care had now left the meeting, she would ask him to provide written evidence for circulation to members that showed how locality planning groups influenced the thinking and approach of the Health and Social Care Partnership.

The Panel, following review

Decided: to agree the 2018/19 year end assessment as set out in Appendix 1 to the report, subject to the removal of the statement '*six locality planning groups are in place to help inform the thinking and approach of the Health and Social Care Partnership*'.

Councillor Moonie left the meeting during consideration of the above item.

14. Strategic Risk Management.

There was submitted a [report](#) (issued) of 20 May 2019 by the Head of Regulatory Services providing an update on the reviewed Strategic Risk Register – April 2019 (Appendix 1 to the report) in line with the agreed reporting framework.

A question was asked by a Member of the Panel in relation to the Management of Assets and the Community Asset Transfer process and whether communities were clear as to any potential risks involved and the Service Lead – Risk and Safety advised that she would raise this matter with the appropriate Service Lead for a response to be circulated to Members.

A question was asked by a Member of the Panel in relation to ICT resilience, Protection and Capability and what testing was in place to ensure resilience. The Service Lead – Risk and Safety advised of various testing routinely undertaken. She also commented on the Business Continuity Plans which explored the actions to be undertaken in the event of ICT failure or any other adverse situation. It was noted that these plans and their status were analysed by the team with regular reporting made to the Risk Residual Forums and DLTs.

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; and
- (2) to remit the Strategic Risk Register to the Leadership Panel on 11 June 2019 for endorsement.

The meeting ended at 12 noon.