

Scrutiny Committee
8 November 2010

IRVINE, 8 November 2010 - At a Meeting of the Scrutiny Committee of North Ayrshire Council at 2.00 p.m.

Present

John Hunter, Anthea Dickson, Matthew Brown, Andrew Chamberlain, Alex Gallagher, Anthony Gurney, Jean Highgate, Pat McPhee and Alan Munro.

In Attendance

E. Murray, Chief Executive; A. Herbert, Corporate Director, I. Gibson, Chief Internal Auditor, and A. Bodie, Head of Infrastructure and Design (Finance and Infrastructure); M. Docherty, Head of Service, K. Bryce, Performance and Planning Officer, J. McKnight, Manager Community and Culture, and C. Sharp, Country Parks Manager (Education and Skills); I. Colvin, Corporate Director (Social Services and Health); I. Mackay, Solicitor to the Council, J. Barrett, IT and Customer Services Manager and E. Gunn, Customer Services Manager (Corporate Services); A. Durnin, Commercial Support Manager (Building Services); J. Montgomery, General Manager, J. M. Macfarlane, Head of Human Resources, S. Cloete, Policy and Performance Officer and A. Little, Committee Services Officer (Chief Executive's Service).

Also In Attendance

P. Tait and F. Mitchell-Knight (Audit Scotland); Councillor B. Connolly, Chair of Scrutiny Panel and H. McLaughlin, Internal Auditor (South Ayrshire Council).

Chair

Councillor Hunter in the Chair.

Apologies for Absence

David Munn.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 16.

2. Minutes

The Minutes of the previous meeting of the Committee held on 11 October 2010 were signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Chair's Remarks

The Chair informed the Committee that representatives from South Ayrshire Council and Audit Scotland were in attendance for Item 3 on the agenda "Report to Members and the Controller of Audit on the 2009/10 Audit".

He proposed, given the issues raised in the Audit Report, that the Committee should focus solely on that item of business and continue all other business on the agenda to a future meeting.

The Committee so agreed.

At this point, M. Docherty, J. McKnight, K. Bryce, J. M. Macfarlane, J. Barrett, E. Gunn, A. Durnin, S. Cloete and C. Sharp, withdrew from the meeting.

4. Report to Members and the Controller of Audit on the 2009/10 Audit

Councillor Hunter, seconded by Councillor Dickson, moved that the Committee resolve to exclude the press and public from the meeting to allow the issues raised in the Audit Report to be fully discussed in private. There being no amendment, the motion was declared carried.

Accordingly, the Committee resolved, in terms of Section 50A (4) of the Local Government (Scotland) Act 1973, to exclude from the meeting the press and public during consideration of the remaining item of business on the grounds that it involved the likely disclosure of exempt information in terms of paragraph 1 and 9 of Part 1 of Schedule 7A of the Act.

Submitted report by the Corporate Director (Finance and Infrastructure) on the report by the External Auditors on the outcome of the 2009/10 Audit of the Council.

The External Auditor reported on the main findings and key messages from the 2009/10 audit of the Council, and on the outlook for the period ahead. A Best Value 2 audit is currently being undertaken and as a result some aspects of the Council's corporate arrangements and the Council's 2009/10 performance reports have not been reported in the audit report.

The auditors gave an "unqualified" opinion on the financial statements of the Council for 2009/10 and concluded that the financial statements gave a true and fair view of the financial position of the Council for the year to 31 March 2010. The auditors certified that the accounts have been prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements.

The Council's net operating expenditure of £356.4 million exceeded its total income from government grants and local taxation of £326.9 million, resulting in a deficit of £29.6 million as at 31 March 2010. However, after the necessary accounting adjustments were made, the balance on the general fund carried forward at 31 March 2010 was a surplus of £18.9 million.

The report drew attention to areas of the Council's governance arrangements where issues had arisen and where improvements could be made i.e.

- A breakdown in governance and internal control procedures within Social Services and Health which resulted in £0.5 million of expenditure being charged to the wrong year; and
- The accuracy and timing of information provided to Members regarding the procurement of a roads vehicle tracking system.

The Audit Report also highlighted a need for the Council to consider the wider risks relating to partnership working, and to ensure that Members are presented with all relevant information in order to enable them to make informed decisions. An Action Plan, setting out planned management action to address the issues identified, was appended to the Audit Report.

Councillor B. Connolly, Chair of Scrutiny Panel, and H. McLaughlin, Internal Auditor, both of South Ayrshire Council, provided information on the events that led to an investigation into the collaborative arrangements with North Ayrshire Council to procure a vehicle tracking system for roads services vehicles.

Members asked various questions of Officers present and discussion took place on:-

- Concerns that Members had not been fully informed of matters at an early stage;
- The future proactive provision of full Internal Audit reports to Members via a secure site;
- The intention to introduce a template to ensure the provision of consistent quality information for future reporting on contractual matters to the Executive;
- The roles and responsibilities of Officers in contract and procurement processes;
- Authorised signatories for contracts of varying amounts;
- The lack of a joint shared protocol for collaborative arrangements;
- The differing opinions of the Council's Monitoring Officer and the External Auditor;
- The actions taken to minimise the perceived risk to the Council and regularise the contract;
- The benchmarking arrangements within the Internal Audit function;

- Arrangements to prepare an overarching financial strategy for the Council;
- Assurances that a breakdown in governance and internal control procedures that resulted in expenditure of £0.5 million being charged to the wrong year was restricted to Social Services and Health; and
- A review of inherited practices from Strathclyde Regional Council.

The meeting then adjourned for a short period and reconvened with the same Elected Members and Officers in attendance, with the exception of Councillor Highgate and the representatives from South Ayrshire Council. The Chair thanked the representatives from Audit Scotland for their report and they too withdrew from the meeting.

Members asked questions and received information in relation to:-

- Circumstances that would constitute a breach of regulations and when these would require the Monitoring Officer to report to the Council;
- The timeline of the tender process for the procurement of the vehicle tracking system and when officers were advised that the process had not been carried out properly;
- The sequence of signatures to the contract and the purpose of co-signatories;
- The responsibility of all Officers involved in the tendering process to ensure compliance with the Council's financial regulations and standing orders relating to contracts;
- The range of planned management actions in response to the External Audit report and a review of existing arrangements;
- Disciplinary action undertaken;
- Support provided by Economic Development to assist local companies in meeting the tendering and procurement requirements;
- Procurement training courses for Members;
- Steps achieved towards a change in culture;
- The recent fraud incident and the appropriate and transparent briefing provided to Members; and
- The lessons learned from these breakdowns in governance and control.

Noted.

The meeting ended at 4.30 p.m.