

Scrutiny Committee
12 March 2012

IRVINE, 12 March 2012 - At a Meeting of the Scrutiny Committee of North Ayrshire Council at 2.00 p.m.

Present

John Hunter, Anthea Dickson, Matthew Brown, Anthony Gurney, Pat McPhee and Alan Munro.

In Attendance

I. Mackay, Solicitor to the Council (Corporate Services); L. Friel, Corporate Director, Y. Baulk, Head of Finance and P. Doak, Senior Manager (Internal Audit and Risk Management) (Finance and Infrastructure); I. Colvin, Corporate Director (Social Services and Health) and A. Little, Committee Services Officer (Chief Executive's Service).

Also In Attendance

P. Craig, G. McCreadie and L. Proctor (Audit Scotland) and A. Kirkwood, Assessor (Ayrshire Valuation Joint Board).

Chair

Councillor Hunter in the Chair.

Apologies for Absence

Jean Highgate, Margaret McDougall and Jim Montgomerie.

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 27 February 2012 were signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Ayrshire Valuation Joint Board

The Committee received a presentation from the Alastair Kirkwood, Assessor, on the work of the Ayrshire Valuation Joint Board (AVJB).

The AVJB was established in 1996 and discharges jointly the functions of North, South and East Ayrshire Valuation authorities. The AVJB comprises 16 members who are elected Councillors from the three Ayrshire Councils.

The AVJB is responsible for three main functions:

- the production of a Valuation Roll setting out the values of all non-domestic properties for rating purposes;
- the production of a Council Tax Register or list in which is shown the Council Tax band of each dwelling for Council Tax purposes; and
- the production of the Register of Electors.

The Assessor is answerable to the Valuation Appeal Committee and to other courts in the defence of valuations and bandings. Unlike income tax assessments, the Valuation Roll, the Council Tax Register and the Register of Electors are all public documents which are open to inspection and scrutiny by members of the public.

In June 2011 the Government published its Individual Electoral Registration (IER) White Paper that sets out the proposed steps involved in moving to a system of individual registration. Work is underway to develop a robust plan for implementing the move from household registration to a system of individual registration.

Members asked questions and were provided with information in relation to:-

- non domestic rates on derelict and abandoned properties;
- the use by large companies of professional agents in the non domestic rates appeals process; and
- a number of data matching checks that will require to be undertaken in order to collect and match personal identifiers in order to implement IER.

Noted.

4. External Audit: Audit Plan 2011/12

Submitted report by the Corporate Director (Finance and Infrastructure) on the External Audit work plan for 2011/12.

External Audit activity is focused on the identification and assessment of key challenges and risks faced by the Council in achieving its business objectives. Audit Scotland has undertaken an assessment of the Council's internal audit function and, based on their review, will place formal reliance on the work of internal audit on payroll, treasury management and also performance indicators and performance management arrangements (Appendix 1).

Appendix 2 to the report provided an analysis of planned audit action by the Council's external auditors, Audit Scotland, including:-

- an audit of the Council's financial statements as at 31 March 2012 and provision of an opinion on whether they have been properly prepared and present fairly the Council's financial position, income and expenditure at that time;
- the findings of the shared risk assessment process;
- a review and assessment of the Council's governance and performance arrangements in a number of key areas; and
- an opinion on a number of grant claims and returns.

Appendix A to the report set out a range of governance and other risks, the related source of assurance received and the audit work proposed to secure additional assurance. Appendix B provided a timetable for the financial statements audit. Appendices C and D gave, respectively, a summarised curriculum vitae for each core member of the audit team and details of plans to place reliance on the work of the Council's internal audit team in a number of areas.

Members asked questions and received further information in relation to:-

- the requirement to identify heritage assets and include these in the financial statements;
- the likelihood of advancing the publication of the Annual Overview of Local Authority Audits; and
- reasonable steps for maintaining the fixed asset register by reviewing title deeds at the point of sale to identify common good assets

Noted.

5. Internal Audit Plan 2012/13

Submitted report by the Corporate Director (Finance and Infrastructure) on the planned Internal Audit work for April 2012 to March 2013.

The Internal Audit strategy was approved by the Scrutiny Committee on 6 June 2011 and is supported by an audit planning process which includes the preparation of an annual risk-based plan.

In preparing the audit plan, a number of key themes have emerged and further information on each of these, together with examples of the planned audit work to examine each one, was detailed in the report.

The number of days available for audit work during the period 1 April 2012 to 31 March 2013 has been estimated as 1219. Details of the planned audit work (765 days above) were attached at Appendix 1 and cover a range of activities, as well as reviews of financial and other systems and other ICT related audits.

Provision has also been made within the plan for following-up on audits that have been completed in previous years, data matching exercises and some developmental work that will modernise the way in which Internal Audit carries out its work. A further 200 days have been set aside for contingencies and special investigations which may arise throughout the year and require the involvement of Internal Audit. A reserve list has also been drawn up. In the event that there are fewer investigations than anticipated, which means the 200 days detailed above may not all be required for reactive work, additional planned audits will be carried out from this reserve list.

The Committee agreed to (a) approve the Internal Audit plan for the period 1 April 2012 to 31 March 2013; and (b) continue to monitor progress throughout the period by receiving quarterly updates.

6. Internal Audit Annual Follow Up

Submitted report by the Corporate Director (Finance and Infrastructure) on progress made by Council services in implementing actions recommended by Internal Audit.

Service managers are responsible for ensuring that agreed actions arising from Internal Audit reviews are implemented. Audit staff have undertaken a follow-up review to establish the extent to which previously agreed actions have been implemented by service managers.

The latest follow-up review was undertaken in January 2012. This exercise looked at all actions that were outstanding from previous follow-up reviews as well as all actions contained within more recent audit reports that have not been followed-up previously. The report provided a breakdown, by service, on the progress with implementing 211 individual actions. Ten actions had passed their implementation date but no action had been taken by the service at the time of the follow-up exercise. Full details of the outstanding actions were provided in Appendix 1 to the report and summarised as follows:

- all five outstanding actions for Financial Services relate to a single audit review concerning the cheque control system. The Head of Finance has indicated that these issues will be addressed by the new systems team that is currently being established.
- the outstanding action for Environment and Related Services relates to the absence of a signed service level agreement with Education and Skills. The Head of Service has indicated that this will be addressed following the implementation of the recently agreed service review.
- the four outstanding actions for Social Services and Health relate to four separate audit reports. The service has provided updates which indicate that satisfactory progress can be expected in the near future.

A spot-check has been undertaken on a sample of those actions which services have indicated have been fully implemented. All those actions that have been checked by Internal Audit have been found to be satisfactory.

Work has commenced to utilise the Covalent system for future follow-up work. Internal Audit will be able to extract data from Covalent at any time and monitor progress with actions on a 'real-time' basis. This will enable more regular reporting to the Scrutiny Committee and any delays in the implementation of actions to be addressed much more quickly.

Members asked questions and were provided with information in relation to:-

- the readiness of services to utilise Covalent for internal audit follow-up work;
- IT issues that had been experienced by Members in accessing Covalent via Council encrypted laptops;
- an upgrade to software that has resolved 4 outstanding actions within the cheque control system and the identification of an audit trail to recognise a defined number of log-in attempts within the system;
- the provision to Members of information on the progress of a revised School Meals Service Level Agreement;
- network issues that prevented implementation of the web version of CareFirst and the provision to Members of further information on this issue; and
- changes to procedure to prevent one member of Social Services staff performing requisition, receipt and payment functions on the PECOS system.

The Committee agreed (a) to note the current position with the implementation of audit actions; (b) to receive quarterly updates as part of the Internal Audit update report, following the introduction of the Covalent system as the follow-up tool; (c) that the Solicitor to the Council liaise with Members in an effort to resolve the IT issues raised; and (d) that further information is provided to Members on (i) the progress of a revised School Meals Service Level Agreement; and (ii) network issues that prevented implementation of the web version of CareFirst.

The meeting ended at 3.10 p.m.