

Audit and Scrutiny Committee
23 September 2016

IRVINE, 23 September 2016 - At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m.

Present

Catherine McMillan, Tom Marshall, Alan Munro and David O'Neill

In Attendance

L.Friel, Executive Director, P. Doak, Senior Manager (Internal Audit, Risk and Performance) and D. Forbes, Senior Manager (Financial Management) (Finance and Corporate Support); and M. Anderson, Committee Services Team Leader (Chief Executive's Service).

Also In Attendance

P. Craig and S. Harold (Audit Scotland).

Chair

Councillor McMillan in the Chair.

Apologies for Absence

John Hunter .

1. Appointment of Chair

In the absence of the Chair, the Committee unanimously agreed that Councillor McMillan be appointed as Chair. Thereafter, Councillor McMillan assumed the Chair for the remainder of the meeting.

2. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 10 and Section 5 of the Code of Conduct for Councillors.

3. Minutes

The accuracy of the Minutes of the meeting of the Audit Committee held on 22 August 2016 and the meeting of the Scrutiny and Petitions Committee held on 24 August 2016 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

4. Audit Scotland – Proposed 2015/16 Annual Audit Report

Submitted report by the Executive Director (Finance and Corporate Support) on the annual audit report for 2015/16. Appendix 1 to the report comprised a covering letter from Audit Scotland, which incorporated their ISA260 letter "Report to Those Charged with Governance" together with their proposed Independent Auditor's Report and the letter of representation to be signed by the Executive Director (Finance and Corporate Support) as responsible officer for North Ayrshire Council. Audit Scotland's proposed annual report to Members, which summarised the findings of their audit, was attached at Appendix 2 to the report.

Paul Craig of Audit Scotland provided a verbal report on the appendices to the report, including the key messages contained within the external auditor's unqualified report on the 2015/16 audit of North Ayrshire Council, the significant findings from the audit in accordance with ISA260, and the significant audit risks identified during the course of the audit.

Members, having congratulated officers on their work in helping to ensure the delivery of an unqualified external audit report, asked questions, and received clarification, on the following:-

- the role of earmarked and unearmarked reserves, particularly in the context of expected future financial challenges for the Council;
- the accounting rationale associated with the depreciation of council dwellings;
- whether most Scottish Councils achieved unqualified audit reports;
- the circumstances surrounding the understatement of the Council's landfill tax liability; and
- the lack of restriction on the use of unearmarked reserves.

The Committee agreed to (a) note (i) the findings of the 2015/16 audit as contained in the External Auditor's annual report at Appendix 2, (ii) the agreed action plan as outlined in Appendix IV of the annual report and (iii) the verbal provided by the External Auditor; and (b) approve the audited Annual Accounts for signature.

5. Audit Scotland Report to Those Charged With Governance on the 2015/16 Audit - Charitable Trusts Administered by North Ayrshire Council

Submitted report by the Executive Director (Finance and Corporate Support) on matters arising from the audit of the Council's registered charitable trusts for the year to 31 March 2016. Appendix 1 to the report set out Audit Scotland's Governance report on the 2015/16 charitable trust accounts.

Stephanie Harold of Audit Scotland provided a verbal report on the appendix to the report, including the unqualified nature of the proposed Independent Auditor's Report, details of the registered trusts where the Council is the sole trustee, and the significant findings arising from the audit. Members' attention was drawn to three trusts which do not have trust deeds and those trusts which are currently dormant.

Members asked questions, and received clarification, on the following:-

- action to seek to generate interest and activity in relation to dormant trusts;
- the availability of a breakdown of the North Ayrshire Council Charitable Trust combined assets of £252,351;
- the appointment of the Council's new external auditors.

The Executive Director (Finance and Corporate Support) undertook to (i) liaise with the Head of Service (Connected Communities) on action which might be taken to raise awareness of the availability of funds within currently dormant trusts and (ii) provide Members with a breakdown of the combined assets of the North Ayrshire Council Charitable Trust.

The Committee agreed (a) to note (i) the key issues identified in the Audit Scotland report attached at Appendix 1 and (ii) the actions to be taken by the Council to resolve them where appropriate; (b) approve the audited charitable trust accounts for signature; and (c) record the appreciation of Members and Officers of the positive working relationship which had been experienced with the Council's external auditors, Audit Scotland, over the past five years.

The Meeting ended at 10.50 a.m.