

Audit and Scrutiny Committee
31 May 2022

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means and physical attendance within the Council Chambers, Irvine.

Present (Physical Participation)

John Bell, Donald Reid, Eleanor Collier, Cameron Inglis, Tom Marshall and Matthew McLean.

In Attendance (Physical Participation)

A. Sutton, Executive Director and A. McClelland, Head of Service (Education) (Communities and Education); M. Boyd, Head of Service, D. Forbes, Senior Manager (Strategic Business Partner), L. Miller, Senior Manager (Audit, Fraud Safety and Insurance) (Finance), A. Craig, Head of Service (Democratic), H. Clancy and D. McCaw, Committee Services Officers (Chief Executive's Service).

In Attendance (Remote Electronic Participation)

C. Cameron, Director (Health and Social Care Partnership); R. Arthur, Head of Service (Connected Communities) (Communities and Education); M. Anderson, Senior Manager, Committee and Member Services and A. Little, Committee Services Officer (Chief Executive's Service).

Also in Attendance (Physical Participation)

Beth Griffin and Lynn Kirkland (NHS Ayrshire and Arran).

Also in Attendance (Remote Electronic Participation)

P. Kenny (Deloitte).

Chair

Councillor Bell in the Chair.

Apologies

Davina McTiernan, Ian Murdoch and John Sweeney.

1. Chair's Remarks

The Chair agreed, in terms of Standing Order 10.5, to vary the order of business to allow consideration of Agenda Item 3: External Audit Report on Audit Dimensions and Best Value for the year ended 31 March 2022, immediately following Agenda Item 10: Participatory Budgeting, to allow remote attendance by the External Auditor.

2. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors.

3. Accounts Commission's Report: Local Government in Scotland: Financial Overview 2020/21

Submitted report by the Head of Service (Finance) on the findings of the recently published Accounts Commission report on the Financial Overview 2020/21 of Local Government in Scotland. The report analysed the annual accounts produced by Local Authorities together with the reports of each body's external auditors, to identify relative performance, highlight challenges faced and assess responses to those challenges. The relevant feedback on each of the key messages, across 3 main categories identified, was detailed in Appendix 1 to the report.

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

- Covid-19 related funding which could not be spent in the last financial year and which was, therefore, identified as earmarked reserves in the current financial year for the specified set-aside purpose; and
- section 2.3 of the report being relative to the national position across Scotland with Section 2.5 specific to North Ayrshire.

The Committee agreed to note (i) the findings of the recent Accounts Commission report; and (ii) the current position regarding North Ayrshire in relation to the findings.

4. Internal Audit Annual Report 2021/22

Submitted report by the Head of Service (Finance) on the work of Internal Audit during 2021/22, covering the 14-month period from 1 February 2021 – 31 March 2022, and detailing an opinion on the governance, risk management and internal control environment of the Council. The full report was attached at Appendix 1 to the report.

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

- the potential to reduce the number of procurement cards in operation throughout North Ayrshire in order to mitigate misuse;
- the rationale for the allocation of Procurement Cards to more than one person within a service;
- the retrospective procurement card transaction authorisation process by a designated approver;
- delays between the purchase of goods/services and approval of transactions; and
- spending level analysis information which could be provided to the Committee.

The Head of Finance undertook to confirm the current number of Procurement Cards in operation across North Ayrshire, together with options for rationalising the number being utilised, and to provide spending level analysis information to the Committee.

The Committee agreed to note (i) the content of the annual report detailed at Appendix 1 to the report and (ii) the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

5. Annual Governance Statement 2021-22

Submitted report by the Head of Service (Finance) on the Council's Annual Governance Statement for 2021-22 for inclusion within the draft Annual Accounts. The Annual Governance Statement, detailed at Appendix 1 to the report, outlined the governance framework in place and changes which had been made to strengthen the framework during 2021-22.

The Committee agreed to approve the draft Annual Governance Statement as detailed at Appendix 1 to the report.

6. Accounting Policies 2021/22

Submitted report by the Head of Service (Finance) on the accounting policies which would be adopted in the preparation of the Council's Annual Accounts for the year to 31 March 2022. The draft Accounting Policies proposed for adoption were detailed at Appendix 1 to the report.

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

- the number of leases currently held by North Ayrshire Council;
- the benefit of utilising loans to buy assets outright as opposed to leasing in the current financial climate; and
- termination benefit information being provided to the Committee on a service basis.

The Senior Manager (Strategic Business Partner) undertook to provide termination benefit information to the Committee on a service basis.

The Committee agreed to approve the Accounting Policies as detailed in Appendix 1 to the report.

7. Corporate Fraud Team Annual Report 2021/22

Submitted report by the Head of Service (Finance) on the work of the Corporate Fraud Team during 2021/22, where 280 referrals for investigation had been received.

The Senior Manager (Internal Audit, Risk and Fraud) highlighted investigations which had been carried out across a range of areas including employee-related matters as well as Council Tax, Discretionary Housing Payments, Scottish Welfare Fund, Blue Badges and Housing tenancy issues. The Committee was advised that joint working with the DWP Single Fraud Investigation Service (SFIS) in cases where there were suspected frauds relating to both DWP Benefits and Council Tax Reduction, had been suspended during the Pandemic, but the DWP had intimated that this work would recommence. It was further highlighted that the increase in referrals was not yet back to pre Covid-19 levels.

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

- whether 'scammers' were still an issue across North Ayrshire; and

- the slight reduction in the number of blue badge misuse warning letters issued given that the Corporate Fraud Team investigated 100% of the referrals made to the Team.

Noted.

8. Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update

Submitted report by the Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2022. Appendix 1 to the report provided full details of the actions which were not completed within the agreed timescale, including the most recent update information.

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

- progress with the first 2 HSCP actions on page 96 of the report Appendix, with delays being attributed jointly to the 3 Ayrshire Councils and the NHS Board; and
- the establishment of a short-life working group to progress both HSCP actions with estimated completion by December 2022

The Committee agreed to note (i) the current position with the implementation of Internal Audit and Corporate Fraud actions; and (ii) that those Services which had not implemented actions within the previously agreed timescales would be challenged.

9. Internal Audit Reports Issued

Submitted report by the Head of Service (Finance) on the findings of Internal Audit work completed between March and April 2022. The findings from four audit assignments were detailed at Appendix 1 to the report, together with the respective executive summaries and action plans.

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

Secondary Schools

- self-assessments carried out by secondary schools due to the Covid-19 pandemic;
- the audit planning process focussing primarily on Primary Schools in the current year; and
- the use of any surplus time gained once planned audit work had been completed, to allow a focus on Secondary Schools.

Noted.

10. Participatory Budgeting

Submitted report by the Executive Director (Communities and Education) providing an update on engagement methods used in Participatory Budgeting events and on future engagement approaches following the easing of restrictions in terms of Covid-19.

The Committee agreed to approve the recommended engagement methods for use in future Participatory Budgeting events, as set out in the report.

11. External Audit Report on Audit Dimensions and Best Value for the year ended 31 March 2022

Submitted report by Head of Service (Finance), and received a verbal report by the External Auditor, on the findings from the External Audit report on Audit Dimensions and Best Value for 2021/22 which summarised the external auditor's conclusions across four audit dimensions within the scope of the 2021/22 audit work, and the review of arrangements made by the Council for securing Best Value. The full External Audit Report was attached at Appendix 1 to the report.

The Committee agreed (a) to note (i) the findings contained in the External Auditor's very positive Audit Dimensions and Best Value report detailed at Appendix 1 to the report; and (ii) the sector developments as outlined in the report; and (b) to receive the External Auditor's Annual Report on the accounts to the meeting to be held on 27 September 2022.

12. Exclusion of the Public – Para 1

The Committee resolved in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

13. Investigation Reports Issued

Submitted report by the Head of Service (Finance) on investigation reports finalised since the last meeting.

Noted.

The meeting ended at 11.05 a.m.