

Audit and Scrutiny Committee
1 June 2021

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means.

Present

Marie Burns, Margaret George, Alan Hill, Davina McTiernan, Tom Marshall, Donald Reid and John Sweeney.

In Attendance

A. Sutton, Executive Director, D. Walkinshaw, Manager and S. Lauder (Head Teacher) (Communities and Education); C. Hope, Senior Manager, Physical Environment and I. Davies, Senior Development Management Officer, Economic Development and Regeneration (Place); M. Boyd, Head of Finance, D. Forbes, Senior Manager (Financial Management), P. Doak, Senior Manager (Internal Audit, Risk and Fraud) and A. Fenton, Team Manager (Finance and Corporate Support); N. McIlvanney, Strategy and Programme Manager (Growth and Investment); A. Fraser, Head of Democratic Services, A. Craig, Senior Manager, Legal Services, I. Hardy, Corporate Policy Service Lead, and A. Little, C. Stewart and D. McCaw, Committee Services Officers (Chief Executive's Service).

Also In Attendance

K. Watt (Deloitte).

Chair

Councillor Burns in the Chair.

1. Chair's Remarks

The Chair welcomed Councillor McTiernan to the Audit and Scrutiny Committee as a replacement for Councillor Brahim.

The Chair also intimated best wishes to Paul Doak, in his new promoted post, and Andrew Fraser, for a long and happy retirement, and thanked them both for their work with the Committee.

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 Minutes of the Meeting of the Audit and Scrutiny Committee held on 9 March 2021 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

4. External Audit Report on Audit Dimensions and Best Value for 2021/21

Submitted report by the 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 2020/21 which summarised the external auditor's conclusions across four audit dimensions, within the scope of the 2020/21 audit work, and the review of arrangements made by the Council for securing Best Value. The full External Audit Report was detailed at Appendix 1 to the report.

Members were provided with clarification in terms of short- and medium-term financial sustainability around funding gaps and the financial risk and pressures over the medium to longer term.

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 14 September 2021.

5. Accounting Policies 2020/21

Submitted report by the Head of Service (Finance) on the Accounting Policies to be adopted in preparation of the Council's Annual Accounts for the year to 31 March 2021. 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 following:-

- established principles allowing the carry forward of funds where delays had resulted from the Covid-19 pandemic and on how this would be reflected within accounts;
- narrative reports being provided alongside the Accounts on the impact of Covid-19 on delivery of services and any new services provided as a result of the pandemic; and
- comparison of variances between underspends and overspends which would be detailed in financial performance reports through the course of the year.

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

6. Annual Governance Statement 2020-21

Submitted report by the Head of Service (Finance) on the Council's Annual Governance Statement for 2020-21 which would be included 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 2020-21.

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

7. Internal Audit Reports Issued

Submitted report by the Head of Service (Finance) on the findings of Internal Audit work completed during March and April 2021. The findings from eight audit assignments were detailed at Appendix 1 to the report, together with the respective executive summaries and action plans.

Members asked questions in relation to the audits detailed and were provided with further information in relation to the following:-

Parent Pay System

- the lessons learned in terms of rollout of the Parent Pay system in relation to cashless school meal provision;
- the preparation of written procedures for Parent Pay for both school-based staff and parents/carers in order to address the inconsistent approach when dealing with pupil debt;
- provision of a new system regarding cashless school meals currently out to tender;
- confirmation that the debt figure in terms of the cashless school meals system was cumulative, having been accrued over the lifetime of Parent Pay, and was not an annual figure;

Internet and Email Controls

- the lack of guidance and process in terms of shared email boxes within Microsoft Outlook and the removal of employees who should no longer have access;
- the shared email boxes issue being linked to the mover process, with an update to be provided to the Committee through the follow-up process;
- monitoring of Councillor Brahim's email account by Member Services for a short period of time prior to being closed;

Accounts Payable Transaction Testing Q4

- assurances that the correct systems were in place and that no additional controls were required in this regard; and
- three areas being progressed by the service in terms of financial management training, a review to strengthen procedures and a review of approval levels.

The Committee agreed to note the outcomes from the Internal Audit work completed as set out in the report.

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 2021. Full details of 11 actions which were not completed within the agreed timescales were set out at Appendix 1 to the report.

Members were provided with clarification in terms of the procedure when an employee moved jobs or left the Council whereby an action would be reallocated to the direct replacement or to another employee within the service.

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 Annual Report 2020-21

Submitted report by the Head of Service (Finance) on the work of Internal Audit during 2020-21 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.

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.

10. Corporate Fraud Team Annual Report 2020-21

Submitted report by the Head of Service (Finance) on the work of the Corporate Fraud Team during 2020/21, where 265 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. He advised that the Team had commenced formal joint working with the DWP Single Fraud Investigation Service (SFIS) in cases where there were suspected frauds relating to both Housing Benefit and Council Tax Reduction, although this had been suspended during the Pandemic.

Members were provided with further information in relation to the process in terms of blue badge referrals and on misuse of blue badges. Members were advised by the Senior Manager (Internal Audit, Risk and Fraud) to pass on any concerns in relation to this matter to the Team to investigate.

The Committee agreed to note the work carried out by the Corporate Fraud Team as detailed in the report.

11. Supporting North Ayrshire Together: Update on our response to the Coronavirus Pandemic

Submitted report by the Head of Democratic Services providing an update on how the Council had worked alongside partners and communities to respond to the Covid-19 pandemic as at 23 March 2021 (one year since the initial lockdown period). The full report was detailed at Appendix 1 to the report.

The Committee was advised that this information was being presented to Audit and Scrutiny prior to Cabinet and that the year-end performance information would be presented to Cabinet initially and then to Audit and Scrutiny in terms of the usual process.

The Committee agreed to note the response by the Covid-19 pandemic to 23 March 2021.

12. Growth and Investment Governance Framework

Submitted report by the Director (Growth and Investment) on North Ayrshire Council's internal governance arrangements for managing the Growth and Investment project development stages, including Ayrshire Growth Deal projects. Appendix 1 to the report set out a framework to support internal programme and project management procedures and to provide robust and effective project delivery mechanisms.

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

- the lack of representation of some Council political groups on the Joint Committee, Programme or Project Boards, with Councillor Marshall expressing his dissent in this regard and advising that he would progress this through a different forum;
- the operational and strategic aspects of the Growth Deal Programmes in terms of the elements which would be reported to Cabinet and those which would be progressed by Officers; and
- the Ayrshire Growth Deal proposals were only one of a number of considerations relating to Hunterston and Council had written to Scottish Ministers seeking the establishment of a Taskforce to consider all strategic matters relating to the Hunterston sites

The Committee agreed to approve the Growth and Investment Governance Framework as detailed in Appendix 1 to the report.

13. Remote Access Controls: Education Network: Internal Audit Progress Update

Submitted report by the Executive Director (Communities and Education) providing an update on the Internal Audit Report Management Action Plan and the Digital Strategy Review. The full Internal Audit Report was provided at Appendix 1 to the report. Appendices 2 and 3 detailed standard procedures which have been developed and communicated to all schools and ICT technicians and a Working Together Agreement been signed off by Heads of Service from both Education and ICT, respectively.

The Committee agreed to note progress in relation to (i) the execution of the Internal Audit Management Action Plan; and (ii) the Digital Review Strategy, as detailed in the report.

14. Economic Development and Regeneration Services Update: Seafield School, Eglinton Road, Ardrossan

Submitted report by the Executive Director (Place) on the actions being taken in respect of the Former Seafield School, Ardrossan.

In terms of the future use of the site, it was noted that discussions had been held between Council Officers from Economic Development and Regeneration Services and the owner, who had undertaken to produce a Feasibility Study in relation to the type of development which could utilise the site. The Council's Regeneration Delivery Plan sets out sites and places where collaborative working between business and communities could be identified to facilitate regeneration of an area. In line with this, the Council's Economic Development and Regeneration Service had agreed to support the development of a Feasibility Study for the Seafield site.

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

- each locality having met with the Regeneration Team to put forward proposals regarding derelict land and buildings which had been neglected across North Ayrshire;
- the benefit of the establishment of a register of all derelict areas within Town Centres to ensure proactive work to resolve problem areas; and
- there being no requirement by the Committee for a further report in relation to the Seafield School site.

The Committee agreed (a) that the Economic Development and Regeneration Team produce a register of derelict sites across North Ayrshire; (b) that a report be submitted to a future meeting on proposals to tackle the derelict sites on a proactive basis; (c) to note (i) the update provided and (ii) that no further report would be required by the Committee in terms of the Seafield School site.

15. Accounts Commission's Report: Local Government in Scotland: Financial Overview 2019-20

Submitted report by the Head of Service (Finance) of the findings of the recently published Accounts Commission's Report on the Financial Overview 2019/20 of Local Government in Scotland.

The report analysed the annual accounts produced by Councils and IJBs, together with the reports of each body's external auditors, to identify performance, highlight challenges faced and assess responses to those challenges. To support the scrutiny of public bodies' response to the Covid-19 pandemic, Audit Scotland published a guide for Audit and Risk Committees. Links to the full Financial Overview 2019-20 report and the Covid-19 Guide for Audit and Risk Committees were embedded within the report. The impact of the historic Scottish Government funding trend on North Ayrshire was summarised in Appendix 1 to the report.

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

16. Urgent Items

The Chair agreed that the following item be considered as a matter of urgency to allow timeous progression of the matter.

16.1 SEPA Reclassification of North Coast as Area of Potential Flooding

Councillor Hill raised the matter of the reclassification by SEPA of the North Coast as an area of potential flooding and expressed concern in terms of the potential impact on the house market. The possible impact on housing land supply, as well as the overall strategy of the Local Development Plan, was also discussed.

The Committee agreed that this matter be progressed by the Senior Manager Legal Services who undertook to raise the issue with (i) the Flood Team and SEPA in the first instance and (ii) the Senior Management Development Officer in the Planning Service.

The meeting ended at 11.40 a.m.