

AUDIT AND GOVERNANCE PANEL.

Minutes of a hybrid webcast meeting on 4 December 2024 at 10.00 a.m.

Present in County Hall: Councillors Julie Dettbarn (Chair), Alan Lamont, Brian McGinley, Cameron Ramsay and George Weir.

Present Remotely: Councillors Kenneth Bell and Chris Cullen.

Apology: Councillor Mary Kilpatrick.

Attending in County Hall: M. Newall, Chief Executive; T. Baulk Chief Financial Officer; W. Carlaw, Service Lead – Democratic Governance; C. McGhee, Chief Internal Auditor; D Urquhart, Senior Investigations Officer; K. Copland, Senior Accountant/Senior Finance Officer; J. McClure, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending Remotely: L. Reid, Assistant Director – Transformation; and K. Sharp, Audit Scotland.

Opening Remarks.

The Chair

- (1) welcomed everyone to the meeting; and
- (2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

1. Sederunt and Declarations of Interest.

The Chair called the Sederunt for the meeting and, having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

2. Call-in from Cabinet.

The Panel noted that there were no call-ins from Cabinet of 26 November 2024.

3. Minutes of Previous Meetings.

The Minutes of the meeting of 6 November 2024 (issued) and were submitted and approved.

4. **Action Log and Work Programme.**

There was submitted an update of the Action Log and Work Programme for this Panel (issued).

The Chief Financial Officer advised that there were no outstanding actions and twenty two items on the Work Programme for the following year.

Following a question from a Panel Member on item 5 of the Work Programme, the Chief Financial Officer advised that this report was being submitted to the January meeting of this Panel as a result of a report from Audit Scotland in September and would explain how Transformation was being dealt with by the Council presently and going forward.

The Panel

Decided: to note the current status of the Action Log and Work Programme.

Internal Audit

5. **Audit and Governance Panel – 2024 Annual Self Assessment Outcome.**

There was submitted a joint report (issued) of 25 November 2024 by the Chief Financial Officer and Chief Governance Officer outlining the outcome of the Audit and Governance Panel Self-Assessment for 2024, which was undertaken on 7 October 2024; and seeking agreement of the resulting updated action plan.

The Chief Financial Officer introduced the report and advised

- (1) that this was the second year of the self-assessment being carried out in this format;
- (2) that Appendix 1 laid out the collective views of the Panel Members who took part in the self-assessment;
- (3) that Appendix 2 provided information on individual questions and outlined improvements made since last year, along with a small number of reductions in scores; and
- (4) that Appendix 3 provided the updated Action Plan with three actions for approval.

A Member advised that the process had been easier this year and enquired on timescales for action 2 "reassess Members training needs during 2024 and develop a new training programme as required"; and the Chief Financial Officer advised that this was a financial year and not calendar year and that he would amend the wording to 2024/25; and that training needs would be assessed in the next few months with the training arranged following that.

Following a question from a Panel Member on whether the self-assessments would be carried out annually or bi-annually in future, the Chief Financial Officer advised that this had been discussed at the self-assessment and that he would be happy to arrange this yearly, however, this would be a decision for the Panel dependent on the results of this year's self-assessment.

A Member advised that this was a valuable exercise which helped identify training needs and should therefore be carried out annually due to changes in Panel membership; that, in relation to Action 3 "Question 27 - has the committee evaluated whether and how it is adding value to the organisation", it was important to evaluate this annually how the Panel added value to the Council.

A Panel Member advised that this had been a useful process and had been informative to reflect on the work carried out by the Panel; and enquired if this process would be helpful for other Panels to undertake to highlight training needs for example; and the Chief Financial Officer advised that this Panel had a standard it could apply, however, this was not the case for other Panels and that he would take this suggestion on board and discuss this with the Chief Executive and Chief Governance Officer.

The Chief Financial Officer further advised that the report had previously included feedback from officers who attended this Panel and that this would be included in this year's report; and that this process would be carried out annually if that was the request of the Panel.

The Panel

Decided:

- (a) to note the outcome of the 2024 self-assessment, as set out in 4.1 to 4.6 of the report and related completed checklist in Appendix 1; and
- (b) to approve the updated action plan for improvements per Appendix 3.

External Audit

6. Corporate Fraud Team – Activity Report and National Fraud Initiative Update.

There was submitted a report (issued) of 25 November 2024 by the Chief Internal Auditor advising Members of the Corporate Fraud Team's (CFT) activity from 1 April to 30 September 2024; and providing an update on the National Fraud Initiative (NFI) exercise to date.

The Senior Investigations Officer introduced the report and advised that the report had been updated to reflect additional information on the source and outcomes of referrals to the CFT; a breakdown had been provided of the total financial savings; and that a pro-active exercise had commenced on Non-Domestic Rates and the results would be outlined in the next report to this Panel.

A Panel Member advised that the tables within the report were very helpful, however, it would also be helpful to have comparisons to the previous year's figures; and enquired why figures on Business Rates and Single Person Council Tax Discount were included in this year's report. The Chief Internal Auditor advised that the Business Rates exercise had been carried out later in the year, therefore, the results had not been available for the last report; and that the Council Tax Discount figures had been reported within the body of the last report to Panel and that the Fraud Team had carried out an investigation and this was now included within the table of figures.

A Member advised that this was a good report which outlined the depth of work carried out; and enquired whether comments and complaints from constituents should be passed to the appropriate Council Service or the CFT; and the Senior Investigations Officer advised that, if a complaint was passed to a Council Service, it would subsequently be passed to CFT if investigation was required, therefore any complaints could be passed to the service or to the CFT.

The Chair advised that a meeting had recently taken place where Members discussed complaints from members of the public on Council houses being sub-let by tenants and Council houses being unoccupied for a long period of time while being let and that there could be a good reason for this, therefore this should be reported to the Housing Service in the first instance who could be aware of the reason for the houses being unoccupied or could pass this matter to the CFT for investigation if required.

The Panel, having considered the CFT activity for the six month period to 30 September 2024,

Decided:

- (1) to note the contents of the report and the changes to the format and contents from the previous update reports to provide additional information on the source of the referral and investigation outcomes; and
- (2) to note the conclusion of the 2022/23 exercise, the start of the 2024/25 NFI exercise and that updates on the 2024/25 exercise would be included within future CFT activity reports.

7. Treasury Management and Investment Strategy Mid Year Report 2024/25.

There was submitted a report (issued) of 25 November 2024 by the Chief Financial Officer providing Members with a mid-year treasury management update for the financial year 2024/25.

The Chief Financial Officer introduced the report; referred to Appendix 1 entitled "Economic Update and Interest rates" and Appendix 2 regarding "Treasury Activity"; and advised that, due to the impact of interest rates being higher than expected, there was a significant overspend which was reflected in a report which had been considered at Cabinet on 26 November 2024.

A Member advised that this was a comprehensive assessment and that it was pleasing to note that officers were diligent regarding fluctuating interest rates, however, he would urge officers to be cautious regarding future capital commitments due to the interest rates. The Chief Financial Officer advised that the Director of Housing, Operations and Development was in the process of compiling a report for consideration at a meeting of South Ayrshire Council on "Capital Investment Programme" which was proving challenging in the ever changing financial climate.

Following a question from a Member regarding paragraph 2.1 (2) of Appendix 2 on "the original borrowing requirement for 2024/25 was set at £121m but has been revised to £92.876m. This drop was attributed to increased cost of supplies and re-profiling of capital projects. This has resulted in movement in the current year of the capital programme" and why this borrowing requirement had dropped when prices had increased; the Chief Financial Officer advised that this was a complex piece of work and was a moving target; that, as costs continued to rise, the Council required to borrow more monies; that projects were not progressing as originally intended; and that interest rates were higher than it had been hoped.

A Member referred to recent months when the cost of borrowing had increased, however, returns on savings had gone down; and the Chief Financial Officer agreed that previously the Council would have seen a better return on investments but of late increased borrowing rates were not being matched by increased investment return rates and that this was an issue for the Council, however officers continued to monitor interest rates daily.

The Panel, having scrutinised the contents of the report,

Decided: to remit the report to the Council meeting of 6 March 2025 for approval.

The meeting ended at 10.35 a.m.