

EAST AYRSHIRE COUNCIL

COUNCIL MEETING - 22 SEPTEMBER 2011

ANNUAL UPDATE ON ACTIVITIES OF THE GOVERNANCE AND SCRUTINY COMMITTEE

Report by the Chair of the Governance and Scrutiny Committee

1. INTRODUCTION

- 1.1** The Governance and Scrutiny Committee was established at the Statutory Council on 17 May 2007, as part of the Cabinet-based decision-making structure.
- 1.2** As Members are aware, the Committee has overall responsibility for scrutiny and review within East Ayrshire Council, including holding Cabinet, Service Departments and other partners to account and, important functions in areas of Standards of Conduct, Governance, Performance Review and Best Value, Audit and Risk and Scrutiny.
- 1.3** This is my third report to Council on the work of the Governance and Scrutiny Committee, covering the period from June 2010 to June 2011, and I highlight the activities of the Committee over that period in pursuing its remit and responsibilities. During the last year or so, the Committee has utilised the various mechanisms and processes which are available to it to appropriately deal with business.

2. AREAS OF ACTIVITY

2.1 My report covers the following areas of activity over the period in question:-

- Scrutiny
- Topic Reviews
- Performance/Best Value
- Audit/Governance
- Risk Management
- Call-ins

2.2 Scrutiny

2.2.1 During the period in question, the Committee has considered 45 reports under the business heading of scrutiny, including periodic Finance and Service Strategy Reports, contract awards, final measurements and health and safety. Along with six monthly and annual reports on Treasury Management, Planning Enforcement and Listed Building Appeal Decisions, derelict buildings, East Ayrshire Tourism Strategy, Outwith Placements, the Department of Educational and Social Services Quality Reports and the Community Planning Partnership Single Outcome Agreement Improvement Plan, these regular update reports provide a range of information for members of the Committee

on important areas of the Council's activities and form the basis for detailed scrutiny where this is required.

2.2.2 Notwithstanding the specific scrutiny function referred to above, the scrutiny role undertaken by the Committee extends more widely across, and forms the basis for, the work of the Committee in relation to specific areas of activity, which are set out in more detail in the following sections of this report.

2.3 Topic Reviews

2.3.1 An important aspect of the Committee's work continues to be in relation to Topic Reviews. During the period of my report, two reviews, which were initiated during the previous year at the request of Members, have been progressing through the relevant stages i.e. insurance arrangements provided by contractors carrying out work on behalf of East Ayrshire Council and Anti-Social Behaviour Orders and Other Measures in East Ayrshire since their introduction.

2.3.2 With regard to the review of Anti-Social Behaviour Orders and Other Measures in East Ayrshire since their introduction, this review is nearing completion, and, to assist in their consideration of the conclusions and recommendations from the review, members had requested detailed statistical information. Arrangements are being made for the data to be presented to Members in order that the review can be concluded and the outcome report presented to Cabinet over the Autumn period.

2.3.3 In respect of the review into insurance arrangements provided by contractors carrying out work on behalf of East Ayrshire Council, again, the review has been progressing through various stages and was concluded on 23 August 2011. The outcome report will be presented to Governance and Scrutiny Committee in October and thereafter to Cabinet.

2.3.4 With regard to the Topic Review into the Council's Winter Emergency Response Arrangements, which was concluded by this Committee and reported to Cabinet in October 2009, the Committee received, considered and made comment on further developments to the Winter Emergency Response Arrangements, most recently on 17 June 2011. I think that this Topic Review particularly illustrates the strength and value of the review process by enabling Elected Members to take the lead in conducting an in-depth examination of a particular service area and from that to identify a range of improvement actions. The end result of all of this is demonstrably improved service delivery, and this is all now established within normal business arrangements.

2.3.5 The Governance and Scrutiny Workshop 2011 was held on 27 January 2011 and Members considered topics suggested for review during the coming year, including a suggestion by an Elected Member (Environmental Health Services in relation to responding to major public health incidents) and by the Criminal Justice Authority (partnership response to reducing re-offending and domestic abuse services). Members decided not to undertake any new reviews during the year, taking the view that this was not required. In respect of the suggestion relating to responding to public health incidents, this was because of the existence a formal review process and procedure in terms of

responsibilities placed on Local Authorities and the NHS by statute. With regard to the suggestions relating to domestic abuse and re-offending, it was decided not to proceed with reviews because of other ongoing work at that time which would have a significant impact on the topic suggestions such that initiation of a review at that stage would not have been appropriate.

2.3.6 Notwithstanding the decision not to proceed with formal reviews, the Committee received a detailed report on the Joint Health Protection Plan 2010-2012 at its meeting held on 20 March 2011, at which Dr Jane Cooper, Consultant on Public Health Medicine with NHS Ayrshire and Arran was in attendance and provided useful clarification in respect of a number of matters raised by Members. Additionally, the Committee received reports by the Executive Director of Educational and Social Services at its meeting held on 26 August 2011 on the work currently being undertaken in relation to re-offending and domestic abuse services at which Justine Murray, Chief Officer with the Community Justice Authority was in attendance, again providing useful clarification on matters raised by Members.

2.3.7 For the coming year and, in accordance with the established arrangements, invitations to submit suggested topics for review during 2012/13 will be issued in November. Given the strength and value of the topic review process which I have already alluded to, I would encourage Elected Members and any other parties to give some thought to areas of service delivery which they feel may possibly be suitable for a topic review and to submit suggestions for consideration by the Members of the Governance and Scrutiny Committee at the next workshop to be held in January 2012.

2.3.8 I would like to thank Members for their approach to undertaking topic reviews which has continued to be based on an open minded approach while at the same time being thorough, consistent and exclusively focussed on the issues in hand; to express appreciation to external witnesses and other external parties for their respective participation and input; and to acknowledge the contribution and efforts made by the Officers concerned in supporting the review processes. I would say that the legitimacy of the topic review process is borne out by the fact that the Committee's recommendations arising from all four of the reviews completed to date have been accepted by Cabinet.

2.4 Performance/Best Value

2.4.1 As Members are aware, there is a continuing and ongoing focus on health and safety issues throughout the Council and within all aspects of the Authority's activities. I am pleased that during the last year the Committee has been receiving quarterly performance reports on this important area, which have generated significant interest and discussion at Committee meetings. To ensure Committee Members' breadth of knowledge on health and safety activities, the Committee has also received detailed reports on the Council's review of health and safety and development of the health and safety road map. Key performance information on health and safety will continue to be submitted to the Committee within the periodic "East Ayrshire Performs" summary reports. The Committee has also received performance orientated reports relating to raising attainment in East Ayrshire Schools and Early Years establishments, the SWIA inspection of Social Work Services in HMP

Kilmarnock, Social Work background reports to the Children's Hearing, services to adults with learning disabilities in terms of "Same as You" and where appropriate, further update reports on these service areas will be brought forward to future meetings of the Committee.

- 2.4.2** The Committee has a central role to play in scrutinising the Council's performance in relation to Statutory Performance Indicators (SPIs). The Committee received a detailed report in March, which contained the Council's SPI performance for 2009/10, with comparative information for previous years and contextual information on performance trends. This report also contained comparative information, allowing the Council to compare our performance with that of other Scottish councils. Detailed analysis was provided under a wide variety of headings, and improvement actions, where appropriate, were provided by Executive Directors. I was pleased to note that performance continues to improve against a range of SPIs and that we have improvement plans in place to address areas of underperformance.
- 2.4.3** The publication of Audit Scotland's 2010 Direction marked a watershed in terms of Statutory Performance Indicators. Significantly, councils now have the flexibility to develop their own performance indicators which are tailored to local circumstances. These new local indicators sit alongside the 25 National SPIs, and are the subject of an annual review to ensure they remain fit for purpose. The Committee received a report in March, which contained the results of our annual review as well as the details of our revised reporting framework for 2011/12. I welcome this new approach and the greater degree of local ownership that it provides.
- 2.4.4** The council has continued to develop its performance management arrangements through its Electronic Performance Management System (EPMS) and I was delighted to attend the Seminar for Elected Members which took place on 7 October 2010 and provided Elected Members with an update on the development of the Council's Electronic Performance Management System (EPMS), a demonstration of current and future capability, and a hands on session where Members were invited to access and interrogate a range of EPMS performance reports. Elected Members now have access to a range of EPMS reports through the EPMS Portal, including an Elected Member Scorecard (a range of monthly, quarterly and yearly measures), Departmental Absence Management, and an interactive Single Outcome Agreement. This information is updated on a monthly basis and will assist Members of this Committee in scrutinising performance across the Council.

2.5 Audit/Governance

- 2.5.1** In order to ensure the proper conduct of business, the Council has a responsibility to develop, implement and maintain systems of internal control. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to policy and procedures.
- 2.5.2** The Internal Audit section has an important role to play in assisting the Council to discharge its governance responsibilities. The annual assurance programme of work was set out in the 2010/11 Internal Audit Plan, presented

to Governance and Scrutiny Committee on 1 April 2011 for approval. This year's plan includes work in the areas of external funding, transport and social services contracts, benefits and debt recovery.

- 2.5.3** The Internal Audit Annual Report was presented to Governance and Scrutiny on 20 May 2011. The overall opinion of the Chief Auditor is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems in the year to 31 March 2011. The objectives of internal control have been substantially met.
- 2.5.4** Internal Audit has carried out a range of audit assignments in 2010/11. End to end core systems reviews have been completed in PECOS and income control, computer audit assignments have been carried out in systems management and ICT policy support, and assignments in asset management, contractor payments, following the public pound and departmental systems have all been completed. The agreed actions arising from all of this work will, when implemented, further strengthen the framework of controls.
- 2.5.5** In July and August 2010, Internal Audit was alerted to a major national fraud. The threat involved fraudulent alterations to creditor bank account details. Immediately on receipt of these fraud alerts Internal Audit contacted Finance management to make them aware of the fraud risk. Internal Audit and Finance management agreed that additional controls advised by the National Anti Fraud Network (NAFN) be applied immediately in the area at risk. In September, to support Finance management, Internal Audit carried out an assignment on amendments to creditor bank accounts to test compliance with the new procedures. Following the audit, actions were agreed with management to further strengthen controls in this area. Internal Audit reviewed controls again in March 2011, and found that enhanced controls were in place and operating effectively. A report on the action taken to address the fraud risk identified in this case was submitted to Governance and Scrutiny Committee in November last year and I am pleased to note that the prompt and effective action taken ensured that this Council suffered no exposure to financial loss.
- 2.5.6** Internal Audit has also undertaken follow-up work on a number of previous audit assignments, with a view to establishing progress on the implementation of audit control recommendations. This work revealed that agreed actions had been substantially implemented by the time of the audit visit.
- 2.5.7** Copies of audit assignment reports are available to Elected Members on the Members Portal. This enables Committee members to effectively scrutinise and oversee the audit work. The Chief Auditor attends Committee meetings, as required, to provide explanation and clarification on relevant matters.
- 2.5.8** In September 2010, the Committee received a report from Audit Scotland setting out relevant matters arising from the audit of East Ayrshire Council's financial statements for 2009/10. I am pleased to note that Audit Scotland gave an unqualified opinion and stated that there were no unadjusted misstatements to highlight. They also found no material weaknesses in the accounting and internal control systems considered by their audit. In their report, the Auditors raised recommendations and reported agreed solutions

with regards to a number of issues that may have had an impact on the accounts.

- 2.5.9** In April 2011, Audit Scotland presented a report to Governance and Scrutiny outlining their Audit Plan for 2010/11. The plan is focussed on the identification and assessment of the key challenges and risks East Ayrshire Council is facing in the current environment and includes, amongst others, areas such as, financial management and budgetary control, Social Services sustainability, Buildings Maintenance and Equal Pay.
- 2.5.10** In April 2011 the Committee also received a report from the Executive Director of Finance and Corporate Support summarising the findings included in Audit Scotland's report entitled "An overview of Local government in Scotland 2010". The report from the Executive Director highlighted key issues for East Ayrshire Council and proposed a response to action points and questions contained in the overview report.
- 2.5.11** CIPFA/SOLACE first published a framework for Corporate Governance in Local Government in 2001, and the Council's first Local Code of Corporate Governance was agreed by Council in June 2002. Since the adoption of the Local Code, an annual process of review has been conducted. This results in the Council each year adopting a new updated Local Code of Corporate Governance, along with an action plan, which together ensures that the ethos of excellent Corporate Governance is embedded in all decisions made by the Council. In 2007, CIPFA/SOLACE published a new framework for Corporate Governance: "Delivering Good Governance in Local Government Framework", and the East Ayrshire Local Code of Corporate Governance for 2011/12 follows this guidance. In June 2011, in common with previous years, the Committee reviewed the progress against the Action Plan produced for 2010/11, agreed the new Local Code of Corporate Governance for 2011/12 and approved the new Improvement Action Plan for 2011/12. This annual process gives comfort to Members that Council business is being conducted to the highest levels of transparency and probity.

2.6 Risk Management

- 2.6.1** The Council's Risk Management Strategy identifies the key risks facing the Council and an Action Plan for containing these within an acceptable level of tolerance. The Strategy defines risk management, outlining roles and responsibilities, the reporting framework in place and upcoming challenges. It is now part of the culture within East Ayrshire Council that the importance of the principles of risk management are integrated into the day to day business of the Council thereby minimising risks and maximising opportunities.
- 2.6.2** At the time of preparation of my report, a strategic review of the Council's Risk Management Arrangements is currently being undertaken by Zurich Municipal Ltd and I am anticipating a report on the outcome of that strategic review to be placed before Governance and Scrutiny Committee before the end of the current financial year.

2.7 Call-Ins

- 2.7.1** During the period of my report, the Committee considered one called-in decision of Cabinet in respect of the provision of services to Gypsy Travellers.
- 2.7.2** The outcome of the call-in was that the matter was referred back to Cabinet, with recommendations for consideration. The recommendations made relative to this matter were fully accepted by Cabinet.

3. CONCLUSIONS

- 3.1** During the period of my report, the role of the Committee in undertaking an important function within the Council's decision making structure has continued to develop as evidenced by the volume and range of business which has been dealt with over the key areas of activity as set out within this report. Elected Members' considerations of relevant issues, particularly in relation to the scrutiny function, can, because of the nature of the task, be detailed and time consuming, however, I believe that Members have demonstrated a collective willingness and ability to undertake this role which is essential to ensure the legitimacy, value and integrity of the work of the Committee.
- 3.2** The Cabinet system has now been operating within East Ayrshire Council for four years and over that period, I believe that there has been a developing awareness and appreciation of the important role of the Governance and Scrutiny Committee within the decision making structure and the effective contribution which it can make. This is, I feel, particularly the case over the last year or so and this is, in no small part, due to the commitment, capability and confidence of Members of the Committee to undertake their role. Members will continue to be supported through training as required either by request of the Committee as a whole or individually through the Elected Members Learning and Development Strategy, which will build upon the comprehensive, intensive and structured training programme delivered to Members of the Committee during the 2010/11 year.
- 3.3.** I must also take the opportunity before closing this report to formally express my appreciation and thanks to Committee Members for their hard work and commitment over the last year or so; to recognise the support provided by Officers at all levels as appropriate and required; and to acknowledge the contribution and input to the work of the Committee, where required, by Peter Tait and David Richardson from Audit Scotland, who have made themselves readily available to attend meetings of the Committee during the year.

Tom Cook
Chair of Governance and Scrutiny Committee

31 August 2011
SN/FM