

# **AUDIT COMMITTEE**

Minute of Meeting of the Audit Committee held virtually via Microsoft Teams on Wednesday 22 July 2020 at 09.30am.

Present: Councillors E Drysdale, S Donaldson, H Coates, D Illingworth, R McCall, X McDade and M Williamson.

In Attendance: J Clark, C Flynn, A O'Brien, S Mackenzie, K Molley and S Walker (all Corporate and Democratic Services); J Cockburn (Education and Children's Services); and C France (Housing and Environment)

Also In Attendance: M Wilkie and C Windeatt, KPMG

Councillor E Drysdale, Convener, Presiding.

## **1. WELCOME AND APOLOGIES/SUBSTITUTIONS**

The Convener welcomed everyone to the meeting and apologies were noted above.

## **2. DECLARATIONS OF INTEREST**

- (i) Councillor S Donaldson declared a non-financial interest in the relevant business of the meeting in his capacity as a Director of Horsecross Arts Ltd.
- (ii) Councillors E Drysdale, J Duff and X McDade declared a non-financial interest in Item 4 as Board members of the IJB Board.

## **3. UNAUDITED DRAFT ANNUAL ACCOUNTS 2019/20**

There was submitted a report by the Head of Finance (20/118) presenting the Council's Unaudited Annual Accounts for the financial year 2019/20 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

Councillor X McDade expressed unhappiness towards the Unaudited Accounts being sent to Auditors for final sign off before these had been considered by members of the Audit Committee.

In response to a question from Councillor S Donaldson, regarding pensions and for Officers to provide assurance as the level of FTSE 100 had dropped by 21%, due to the volatility of markets, S MacKenzie, advised that an evaluation was undertaken on 31 March 2020 which reflected the movement in asset values. He added that an internal review was taken based on nationally published matrix. This is an issue raised every year with External Auditors to seek their advice on the audit process. Evaluations are also compared across different local authorities to see what is working well.

In response to a question from Councillor M Williamson regarding provision for bad debts and if there is a reason for this figure doubling since 2018, S Walker, advised this was due to the considerable amount of work undertaken last year to make sure that individual customer accounts were up to date and therefore more

debt was identified that needed to be written off and that's why figures were higher this year. In a supplementary question from Councillor M Williamson on collection of non-domestic rates, S Walker advised that the Council are in an excess of 99% of non-domestic rates collected in year.

In response to a question from Councillor X McDade regarding planning the finance team have done in relation to the transformation of the Perth and Kinross Offer, S MacKenzie advised resources will be influenced by discussions with communities. He added that the Council are currently at an early stage of planning but confirmed that this will have significant implications on the Council's budget. Councillor X McDade added that due to the increasing level of risk this may cause, there will be a greater need for further scrutiny by the Audit Committee on Council finances.

**Resolved:**

It be noted, that the Audit Committee will consider the unsigned Audited Annual Accounts on 16 September 2020.

**4. PERTH AND KINROSS COUNCIL INTERIM MANAGEMENT REPORT AND AUDIT STATUS SUMMARY YEAR ENDING 31 March 2020**

There was submitted a report by the External Auditor, KPMG (20/119) presenting the Perth and Kinross Council Interim Management Report and Audit Status Summary for the year ending 31 March 2020.

M Wilkie, KPMG, gave a detailed summary of the report.

In response to a question from Councillor X McDade regarding the level of staff who have privileged authorisation, C Windeatt, KPMG advised that there is a handful of privileged users. S Walker added that tasks carried out by these users, will automatically generate emails to Senior Members of the Finance team. There is a central log of all tasks created which is maintained and therefore available for inspection. M Wilkie suggested that even though there are strong measures in place to reduce the level of risk, without cost the level of risk will still be present as these super users may be so privileged that they are able to override or modify controls.

In response to a question from Councillor R McCall regarding if the increase in BACS payments would create greater risk due to a move towards a cashless society, S Walker advised in terms of electronic payments, the Finance team have recently invested in a system which will allow BACS payments to be sense checked before payments are made. This also allows for checks to be carried out on bank accounts and duplicate payments. He added that this is an area that checks are being strengthened in.

In response to a question from Councillor S Donaldson regarding procurement and if contracts awarded are published publicly, C Windeatt advised that checks are in place to make sure these contracts are published. The deadline for contracts being published publicly is something that should be considered by Council Officers under reviews of the Audit Plan annually.

Councillor E Drysdale thanked M Wilkie and C Windeatt for their attendance.

**Resolved:**

The Interim Management Report and the Audit Status Summary Year Ending 31 March 2020, be noted.

**5. INTERNAL AUDIT UPDATE**

J Clark, Chief Internal Auditor, Perth and Kinross Council, gave up verbal update on the work undergone on Internal Audit Activities undertaken throughout the COVID-19 pandemic and how this has affected planned work for 2020.

*COUNCILLOR S DONALDSON TOOK THE ROLE OF CONVENER AT THIS POINT.*

In response to a question from Councillor X McDade regarding more information on the reassignment of Internal Audit staff during COVID-19 and assurance around work on the business grant scheme and if advice was still being offered throughout this period, J Clark advised that the work undertaken in relation to COVID-19 business grants was undertaken by the Council's revenue and benefits service. They have had a great deal of experience in managing applications of this nature, knowledge on non-domestic rate systems and have a strong awareness of counter fraud controls.

J Clark added that the work that Internal Auditors have been involved in has been very varied. To ensure that Internal Audit comply with the work in Internal Audit Standards, declarations of Interest are carried out regularly to see if there are any potential impairments in undertaking work. This will continue to be reviewed before work starts again on any planned Internal Audits. Internal Audit have also worked with Services such as Education and Children's Services by giving advice on changing controls and establishing systems in relation to the payment of free school meals and other grants. Regarding non-audit work, the team have also been involved in supporting the COVID-19 risk registrar with Gold Command. There has been involvement with workforce re-tasking, providing advice and assurance to the Work Force Management Unit within the Health and Social Care Partnership.

*COUNCILLOR E DRYSDALE RESUMED THE ROLE OF CONVENER AT THIS POINT.*

In response to a question from Councillor X McDade regarding Internal Audit's confidence that Horsecross Arts will be able to implement recommendations of the Audit Glasgow review under financial pressures as a result of COVID-19, J Clark advised that a report was due to go to the April Committee which highlighted the work Perth and Kinross Council had done in supporting Horsecross in terms of the action plan as a result of the Audit Glasgow Report. She added that due to recent circumstances, the action plan will need to be revisited in terms of timescales and to see if this plan remains valid. She advised the committee that this is seen as a key risk area and will be taken forward by Internal Audit and other colleagues in 2021.

Councillor Drysdale thanked J Clark and her team for the work undertaken and the throughout COVID-19.

## **6. INTERNAL AUDIT ANNUAL REPORT 2019/20**

There was submitted a report by the Chief Internal Auditor (20/120) presenting the year-end report and audit opinion of the Chief Internal Auditor for 2019/20.

In response to a question from Councillor X McDade regarding whistle blowing and how long it usually takes to complete an investigation, J Clark advised these investigations vary and it is made sure that each case is dealt with efficiently. She added that even though the case in March has still to be completed, the work on this case is still ongoing and was impacted due to COVID-19. An update will be brought to the next committee.

### **Resolved:**

Contents of report 20/120 and the Audit Opinion as detailed in section 7 of Report 20/120, be noted.