

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Council Chamber, 2 High Street, Perth on Wednesday 5 February 2020 at 10.00am.

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

In Attendance: J Clark, S Mackenzie, L Simpson and K Molley (all Corporate and Democratic Services); G Boland (Education and Children's Services); F Crofts, J McCrone, K McNamara, A Seggie and S Welsh (Housing and Environment).

Also In Attendance: M Wilkie and C Windeatt, KPMG

Apology: Councillor X McDade

Councillor E Drysdale, Convener, Presiding.

1. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting. An apology was noted as above.

2. DECLARATIONS OF INTEREST

There were no declarations of interest in terms of the Councillors' Code of Conduct.

3. MINUTE

The minute of meeting of the Audit Committee of 20 November 2020 (Arts 584-588) was submitted and approved as a correct record and authorised for signature.

4. PERTH AND KINROSS COUNCIL EXTERNAL AUDIT STRATEGY

There was submitted a report by the External Auditor, KPMG (20/35) presenting the external Audit Strategy for 2019/20.

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

In response to a question from Councillor Drysdale regarding the work of National Fraud Initiative Arrangements of 2019/20 and what the review will cover, M Wilkie advised that a checklist is provided by Audit Scotland which focuses on governance arrangements. This check list will cover aspects such as who is responsible for fraud throughout the Council, who is responsible for reporting on National Fraud Initiative, how this is considered within the Council at manager and member level and the extent of results which have been identified. M Wilkie added that it is a requirement for responses in the questionnaire to be risk graded, which has shown positive results in previous years. This will continue to be reviewed on an annual basis.

In response to a question from Councillor Donaldson regarding community empowerment and the Perth and Kinross Offer, M Wilkie advised that there is a recommendation in the Best Value Assurance report relating to the Perth and Kinross Offer and it will continue to be considered throughout KPMG's Annual Audit report.

In response to a question from Councillor Donaldson regarding the revaluation of properties over a five-year rolling basis, and if all local authorities follow the same procedure, M Wilkie advised that from a local authority perspective, valuing properties on a five-year cycle is common and investment properties are usually valued on an annual basis. There is also a consideration on how the Council focuses on properties that are not revalued. M Wilkie added that from a listed client perspective, it is common to value properties on an annual basis as these properties will have external funding which is secured against the value of assets.

Resolved:

The external Audit Strategy for 2019/20, be noted.

5. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (20/36) presenting a summary of Internal Audit's follow up work relating to actions due for completion in September to November 2019.

In response to question from Councillor Williamson regarding action 16-22 Roads Maintenance Partnership agreement and the need to review procedures as the document is dated in 2005, F Crofts advised that the partnership agreement was approved by Environment and Infrastructure Committee in 2019, so now the procedure around maintaining Best Value in Works is to be progressed and is hoped to be completed in 2020. In relation to action 16-22, Councillor Donaldson asked if the delay in completion date is due to resourcing issues and therefore in turn could create higher risk, F Crofts advised that best value assessments are taken on an ongoing basis regarding procurement and the delays caused have been due to procedural issues.

In response to a question from Councillor Donaldson regarding the School Estate Strategy and when this action would be complete, G Boland said this action is aimed to be completed by May 2020 at the latest but is hoped to be completed by the next Lifelong Learning Committee in March 2020.

Resolved:

- (i) The current position in respect of the agreed actions arising from the internal audit work, be noted.
- (ii) The action plans be progressed, taking into account the recorded audit opinions.

6. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (20/37) presenting a summary of Internal Audit's work.

In response to a question from Councillor Donaldson regarding the system IDEA and what this covers, J Clark advised that IDEA is a data extraction and analysis tool, utilised by internal audit. Other services are being influenced to use this tool as it compares sets of data and highlights any anomalies such as fraud or other errors.

In response to a question from Councillor Donaldson regarding transformation projects, J Clark advised that the process around transformation is changing and will now be addressed through different workstreams. L Simpson explained that change and improvement activity is now part of the day job and as such it no longer makes sense to be looking at a programme of specific activity in isolation. Instead the Council is looking these projects and initiatives as part of a wider and more holistic investment strategy which will also include capital investment and that officers are currently developing the governance framework to support this which will come to Council in due course.

Resolved:

The completion of assignments since the last Audit Committee on 20 November 2019, be noted.

The Committee considered the following final reports:

7 (i) Corporate and Democratic Services

(a) 19-08 EU Withdrawal

There was submitted a report by the Chief Internal Auditor (20/38) on an audit to ensure that (1) people and people skills are considered when managing change as UK leaves the EU; (2) the Council is prepared for financial change at withdrawal from EU; (3) the Council is prepared for changes to rules and regulations when the UK leaves the EU; and (4) other relevant factors, such as partnership activity, are taken into account as the UK leaves the EU.

Members shared enthusiasm on the work that had been produced by Internal Audit to ensure that Perth and Kinross Council is prepared for the financial impact of the UK leaving the EU. K McNamara added that services have prepared for a wide range of scenarios based on national guidance.

Resolved:

Internal Audit's findings, as detailed in Report 19/338, be noted.

7 (ii) Housing and Environment

(a) 19-05 LEADER

There was submitted a report by the Chief Internal Auditor (20/39) on an audit to ensure that (1) Regulatory requirements are met by reviewing the systems in place to deliver LEADER as

well as the financial processes; and (2) Assess compliance with the SLA conduct a review of a selection of LEADER projects.

In response to a question from Councillor Drysdale regarding the evaluation of risk, J McCrone advised that an annual submission is provided which highlights secure mechanisms are in place such as Financial Management and Audit Reporting. J McCrone added that the LEADER programme is looking at benefits and proposals of this being taken forward through other funding processes.

Resolved:

Internal Audit's findings, as detailed in Report 20/39, be noted.

(b) 19-09 Recycling Centres

There was submitted a report by the Chief Internal Auditor (20/40) on an audit to ensure that (1) there are adequate site security controls at recycling centres which accept materials for re-sale; (2) confirm separation and collection controls on materials for re-sale are adequate; and (3) confirm permit checks and personal controls at recycling centres managing re-saleable goods are adequate.

In response to a question from Councillor McCall regarding the strength of internal controls being scored as moderate and if this could be improved, P Garden advised that crime and theft make rates fluctuate and therefore are harder to control.

In response to a question from Councillor Illingworth regarding any changes that have occurred since this report was produced, P Garden advised that additional staff have been recruited to ensure that hazardous materials on recycling sites are removed. Staff training is due to be completed by the end of March 2020.

Resolved:

Internal Audit's findings, as detailed in Report 20/40, be noted.

8. NATIONAL FRAUD INITIATIVE 2018/19 OUTCOMES

There was submitted a report by Chief Internal Auditor (20/41) outlining the action that has been taken by Perth and Kinross Council in response to the requirements of the National Fraud Initiative 2018/19.

In response to a question from Councillor Williamson regarding national fraud figures, J Clark advised that these figures will be ready by the end of the year and a report will be brought back to Committee.

In response to a question from Councillor Drysdale regarding information of the electoral register for the National Fraud Initiative not being provided and if legal advice should be reviewed, L Simpson advised that reassurance has been sought by

legal and data protection officers who have ensured that processes which are currently in place are following correct procedures.

Resolved:

- (i) Action taken by Perth and Kinross Council in response to the requirements of the National Fraud Initiative and the outcomes for the 2018/19 exercise, be noted.
- (ii) Actions taken by Perth and Kinross Council in response to the requirements of the National Fraud Initiative and the outcomes for the 2018/19 exercise, be noted.

IT WAS AGREED THAT THE PUBLIC AND PRESS SHOULD BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEMS IN ORDER TO AVOID THE DISCLOSURE OF INFORMATION WHICH IS EXEMPT IN TERMS OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973.

9(i) All Services

(a) 19-10 Cash

There was submitted a report by Chief Internal Auditor (20/42) on an audit to ensure adequacy of arrangements for the collection of cash and other income throughout the Council.

In response to a question from Councillor McCall regarding the percentage of the public that still use cash, F Crofts advised that this can depend on the specific activity, e.g. season tickets for annual golf memberships. He added that card systems are now being introduced into all premises where technology allows for it.

Resolved:

Internal Audit's findings, as detailed in Report 20/42, be noted.