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Council Building
2 High Street
Perth
PH1 5PH

30/11/2022

A hybrid meeting of the **Audit and Risk Committee** will be held in **the Council Chamber** on **Wednesday, 07 December 2022** at **10:00**.

If you have any queries please contact Committee Services on (01738) 475000 or email Committee@pkc.gov.uk.

THOMAS GLEN
Chief Executive

Those attending the meeting are requested to ensure that all notifications are silent on their device and other devices are in silent mode.

Please note that the meeting will be broadcast online and recorded. The recording will be publicly available on the Council's website following the meeting.

Members:

Councillor David Illingworth (Convener)
Councillor Andy Chan (Vice-Convener)
Councillor Liz Barrett
Councillor Ken Harvey
Councillor Iain MacPherson
Councillor Colin Stewart
Councillor Grant Stewart

Audit and Risk Committee

Wednesday, 07 December 2022

AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- | | | |
|----------|---|----------------|
| 1 | WELCOME AND APOLOGIES/SUBSTITUTES | |
| 2 | DECLARATIONS OF INTEREST | |
| 3 | MINUTE OF MEETING OF THE AUDIT AND RISK COMMITTEE OF 27 SEPTEMBER 2022 FOR APPROVAL
(copy herewith) | 5 - 10 |
| 4 | OUTSTANDING BUSINESS STATEMENT
(copy herewith 22/299) | 11 - 12 |
| 5 | INTERNAL AUDIT FOLLOW UP
Report by Chief Internal Auditor (copy herewith 22/300) | 13 - 14 |
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Report by Chief Internal Auditor (copy herewith 22/301) | 15 - 18 |

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AUDIT AND RISK COMMITTEE

Minute of Meeting of the Audit and Risk Committee held hybrid on Tuesday 27 September 2022 at 10.00am.

Present: Councillors D Illingworth, L Barrett, A Chan, M Frampton (substituting for Councillor S McCole), K Harvey, N Khogali, I MacPherson, C Stewart and G Stewart.

In Attendance: J Clark, D Coyne, S MacKenzie, A O'Brien, S Walker, K Molley, A Brown and M Pasternak; (Corporate and Democratic Services); S Coyle and J McCrone (Communities); and J Cockburn and F MacKay (Education and Children's Services).

Also in Attendance: C Batchelor and M Wilkie (KPMG)

Apologies: Councillors B Brawn and S McCole

Councillor D Illingworth, Convener, Presiding.

1. WELCOME AND APOLOGIES/SUBSTITUTIONS

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

2. DECLARATIONS OF INTEREST

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

3. MINUTE OF MEETING OF THE AUDIT AND RISK COMMITTEE OF 28 JUNE 2022 FOR APPROVAL

The minute of meeting of the Audit and Risk Committee of 28 June 2022 was submitted and approved as a correct record.

4. OUTSTANDING BUSINESS STATEMENT

Resolved:

The Outstanding Business Statement, be noted.

5. DRAFT AUDITED 2021/22 ANNUAL ACCOUNTS DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH & KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2022

There was submitted a report by Head of Finance (22/237) presenting the Council's draft Audited Annual Accounts for the financial year 2021/22 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

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

In response to a question from Councillor L Barrett regarding preparations around the componentisation of infrastructure assets, S Walker advised that it was a national issue and would continue to be monitored closely. In response to another question from Councillor L Barrett on the unadjusted audit difference of £6.8m in relation to the additional obsolescence of external works, S MacKenzie advised that this would not have an impact on the External Auditor's opinion of the accounts. He added for this issue to be corrected at a late stage, several other significant changes would need to be made to the Council's accounts. It was accepted that this matter would appear in the report and would be discussed with auditors to ensure there was a common understanding.

In response to a question from Councillor L Barrett regarding the review of all SLA's between ALEO's, S MacKenzie advised that work would be progressed and form part of the discussions around the budget at the upcoming meeting of full Council.

In response to a question from G Stewart regarding cyber resilience and ensuring processes are robust, J Clark advised that this was part on the annual governance statement which was considered in June 2022. She added that information and security specialists within Legal and Governance Services continue to review the Council's resilience and information governance arrangements and ensure processes are fit for purpose. In terms of being robust, the Council compares arrangements with other public sector organisations to ensure they are achieving with resources that are permitted.

In response to a question from Councillor C Stewart regarding the opinion of the Chief Internal Auditor and the different levels of reliance, J Clark advised that there is one level above reasonable which is substantial and there are also several lower levels of reliance. She added that one of the reasons why she wouldn't be able to give a substantial opinion is due to the level of coverage that can be undertaken across all systems. She added that a risk-based internal audit programme is carried out but the whole organisation is not covered every year. J Clark advised reasonable reliance is what the organisation would aim to achieve as significant more resources would be needed to meet the level of substantial.

In response to a question from Councillor C Stewart regarding the project governance arrangements in place for significant capital projects, M Wilkie advised that capital project governance had been analysed for current and previous years and there have been no deficiencies found. However, the risk continues to increase due to fluctuations and costs in the environment which heightens the need for more transparent scrutiny of all capital projects.

In response to a question from Councillor D Illingworth, M Wilkie advised that the recommendation highlighted in the audit is not a reflection of Perth and Kinross Council's performance but is a sector wide issue which would affect the majority of local authorities to an extent.

Members congratulated the finance team for preparing the accounts and for their accuracy and attention to detail. Members also thanked KPMG for their years of service to Perth and Kinross Council.

Resolved:

- (i) The Leader of the Council, the Chief Executive and the Head of Finance be authorised to sign the Audited 2021/22 Annual Accounts and the Head of Finance be authorised to sign the letter of Representation.
- (ii) The contents of KPMG's Draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2022, be noted.

M WILKIE AND C BATCHELOR (KPMG) LEFT THE MEETING AT THIS POINT.

THERE WAS A 10 MINUTE BREAK AND THE MEETING RECONVENED AT 10.40AM.

6. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (22/242) presenting a summary of Internal Audit's 'follow up' work relating to actions due for completion up to August 2022.

In response to a question from Councillor C Stewart regarding checks undertaken on the implementation of actions, J Clark advised that where possible checks are undertaken as part of the follow up work or would be rolled forward. She added that the team are not fully resourced to undertake an effectiveness review of all activity.

Resolved:

The current position in respect of the agreed actions arising from Internal Audit's work, be noted.

7. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (22/243) presenting a summary of Internal Audit's work undertaken as part of the Internal Audit Plans for 2020/21 and 2021/22.

In response to a question from Councillor C Stewart regarding staffing resources, J Clark advised that the Senior Internal Auditor post had been vacant for three years with two rounds of recruitment being unsuccessful. However, she advised that the Senior Internal Auditor post had been readvertised and interviews were being held the following week.

In response to a comment from Councillor C Stewart regarding the risk of staffing issues, J Clark advised that internal audit work on a risk based approach to cover the significant risks of the organisation. She added that staffing resources have not been raised as a risk by external auditors due to the management of resources and reliance of assurance from other agencies. Information gathered then feeds into the Internal Audit Plan and Internal Audit Opinion.

Members thanked Internal Audit for their work and referred to J Clark for her management of resources and prioritisation.

Resolved:

The progress with Internal Audit activity from June 2022, be noted.

(i) COMMUNITIES

(i)(a) 22-01 LEADER

There was submitted a report by Chief Internal Auditor (22/244) on an audit to review regulatory compliance for the LEADER projects.

Resolved:

The contents of report 22/244, be noted.

9. INTERNAL AUDIT PLAN 2022/23

There was submitted a report by the Chief Internal Auditor (22/245) presenting the strategy for the delivery of Internal Audit and the proposed approach for the direction of planned Internal Audit work for 2022/23.

In response to a question from Councillor L Barrett regarding the Mosiac system, J Clark advised that Mosiac is a key system to the organisation which is being developed and implemented to replace the information system SWIFT.

In response to a question from Councillor C Stewart regarding the seven internal audits planned in relation to the Strategic Risk Register, J Clark that there are slightly fewer planned than previous years, but the risk areas identified would still be covered.

Resolved:

The strategy and plan for 2022/23, be approved.

10. NATIONAL FRAUD INITIATIVE OUTCOMES 2020/21 AND PREPARATIONS 2022/23

There was submitted a report by the Chief Internal Auditor (22/246) (1) presenting the reported findings of the 2020/21 National Fraud Initiative (NFI) exercise and (2) outlining the preparations currently underway in respect of the 2022/23 exercise.

In response to a question from Councillor C Stewart regarding the Electoral Register and if the edited version is available in Perth and Kinross, J Clark advised that the requirements from NFI are for the full version of the Register to be shared but the organisation are not able to do so. The publicly available Electoral Register is used as part of extended checks that are undertaken along with credit reference agencies. In response to another question from Councillor C Stewart regarding the decision made by other local authorities to share information, J Clark advised that some changes were made to data regulations. Advice had been sought from legal officers in Perth and Kinross and they advised that changes were not sufficient to permit data being shared.

Resolved:

- (i) The outcomes as reported within the National Audit Scotland report of the National Fraud Initiative 2020/21, be noted.
- (ii) The work undertaken in preparation for the 2022/23 exercise, be noted.
- (iii) The section of Audit Scotland's self-appraisal checklist relating to those charged with governance at Appendix A of report 22/246, be approved.

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.

P1. EDUCATION AND CHILDREN'S SERVICES

(a) VIOLENCE AND AGGRESSION

There was submitted a report by Chief Internal Auditor (22/247) presenting an audit in response to a grievance by letter, from a member of staff to a school Headteacher relating to an incidence of violence and aggression by a pupil.

Resolved:

The contents of report 22/247, be noted.

AUDIT AND RISK COMMITTEE

OUTSTANDING BUSINESS STATEMENT (OBS)

(Report No 22/299)

Please note that this statement sets out outstanding decisions of this committee along with an update and estimated completion date. Actions which are overdue are shaded for ease of reference. Where an update reflects that an action is complete then the Committee's agreement will be sought to its removal from the OBS.

No	Minute Reference	Subject Title	Outstanding Action	Update	Lead Officer /Service	Action due	Action Expected
2.	27 September 2022. Item P1.	ECS – Violence and Aggression	Provide information on the number of challenging behaviour repeated incidents throughout schools in Perth and Kinross in Term 4.	Email response was circulated to members. COMPLETED	Fiona MacKay	7 December 2022	7 December 2022

PERTH AND KINROSS COUNCIL

AUDIT & RISK COMMITTEE

7 DECEMBER 2022

INTERNAL AUDIT FOLLOW UP

Report by Chief Internal Auditor
(Report No. 22/300)

1. PURPOSE

- 1.1 This report presents a current summary of Internal Audit's 'follow up' work relating to actions due for completion up to November 2022.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee notes the current position in respect of the agreed actions arising from Internal Audit's work.

3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Follow Up Outcomes

4. BACKGROUND

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to establish a follow-up process to monitor and ensure that management actions have been effectively implemented.
- 4.2 Internal Audit request evidence from Services which confirms that actions have been implemented and, therefore, controls have been improved.

5. FOLLOW UP OUTCOMES

- 5.1 There were 27 actions arising from Internal Audit reports. Of these, 4 had a completion date of September 2022. Evidence has been provided that all 4 actions have been completed. There were no actions with a completion date in October or November 2022.

Author

Name	Designation	Contact Details
Jackie Clark	Chief Internal Auditor	InternalAudit@pkc.gov.uk

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PERTH AND KINROSS COUNCIL

AUDIT & RISK COMMITTEE

7 DECEMBER 2022

INTERNAL AUDIT UPDATE

Report by Chief Internal Auditor
(Report No. 22/301)

1. PURPOSE

- 1.1 This report presents a summary of Internal Audit's work undertaken as part of the Internal Audit Plans for 2021/22 and 2022/23.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee notes progress with Internal Audit activity.

3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Progress Update
- Appendix

4. BACKGROUND

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.
- 4.2 Work has continued on assignments from Perth & Kinross Council's Internal Audit Plans. In addition, work has continued to be undertaken in connection with the Internal Audit provision for the Integration Joint Board.
- 4.3 Work has commenced to support the forthcoming National Fraud Initiative exercise, with all relevant datasets having been uploaded in preparation for the release of data matches for investigating to commence in January 2023.
- 4.4 The team are also involved with a whistleblowing disclosure. If there are any control issues highlighted as a result of this investigation, these will be considered for reporting to a future meeting of the Audit & Risk Committee.

5. PROGRESS UPDATE

- 5.1 The Service has been successful in recruiting to the Senior Auditor post and the scheduling of assignments from the Internal Audit Plan is being reviewed accordingly.
- 5.2 Appendix 1 shows the status of audits arising from the Internal Audit Plans, together with those assignments which will continue into 2022/23.

Authors

Name	Designation	Contact Details
Jackie Clark	Chief Internal Auditor	InternalAudit@pkc.gov.uk

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APPENDICES

- Appendix 1 Internal Audit Activity

Appendix 1

INTERNAL AUDIT UPDATE

Internal Audit Activity

Audit No.	Title	Lead Service(s)	Status as at November 2022	Audit Committee
2021/22				
A21-05	Tay Cities Deal	Communities	Draft report issued	March 2023
A21-07	Agency Workers	Communities	Draft report issued	March 2023
2022/23				
A22-01	LEADER	Communities	Completed	September 2022
A22-02	Climate Change	Communities	Ongoing	
A22-03	Partnership Working	All	Ongoing	
C22-04	Mosaic	Corporate		
A22-05	Community Engagement	Communities		
A22-06	IT Assets	Corporate & Democratic Services		
C22-07	Transformation Reviews	Corporate	Ongoing	
A22-08	Payroll	Corporate & Democratic Services		
G22-09	Bus Service Operators Grant	Communities		

