

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
22 MAY 2019

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Council Chamber, 2 High Street, Perth on Wednesday 22 May 2019 at 9.30am.

Present: Councillors E Drysdale, S Donaldson, A Coates, D Illingworth, X McDade, M Williamson and W Wilson.

In Attendance: J Clark, C Irons, S Mackenzie, (from Art. 275(i)) L Simpson and M Terava (all Corporate and Democratic Services); J Cockburn (Education and Children's Services); L Brady, F Crofts, F Low and N Sutherland (all Housing and Environment).

Also In Attendance: M Wilkie & A Kolodziej, KPMG

Councillor Drysdale, Convener, Presiding.

The Convener led discussion on Arts. 270-275(i)(a), 276-277 and 279) and the Vice-Convener led discussion on Arts. 275(ii)(a) and 278)

270. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting. There were no apologies.

271. DECLARATIONS OF INTEREST

In terms of the Councillors' Code of Conduct, Councillors E Drysdale and X McDade declared a non-financial interest in Art. 275(ii)(a).

272. MINUTE

The minute of meeting of the Audit Committee of 27 March 2019 (Arts. 152-158) was submitted and approved as a correct record and authorised for signature.

With regard to Art. 157(iii)(a) Councillor W Wilson requested advice from officers to respond to enquiries from constituents on climate change.

L Simpson confirmed advice would be provided to all Councillors.

273. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (19/157) presenting a current summary of Internal Audit's follow up work.

J Clark referred to the new reporting format and members agreed it was easier to follow.

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It was noted that a report had been submitted to the Environment and Infrastructure Committee on 15 May 2019 on the Roads Maintenance Partnership (16-22) and the Chief Accountant had contacted relevant services requesting that reporting arrangements be verified by June 2019 (18-15).

Resolved:

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

274. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (19/158) presenting a summary of Internal Audit's work.

With regard to the Transformation Programme, it was noted that the Programme was to come to an end in 2020 with transformation being embedded into everyday activities and included in the Perth and Kinross Offer.

In response to a question from Councillor X McDade regarding the Tay Cities Deal, J Clark advised a number of meetings had been held with the other Local Authorities involved to look at the governance arrangements and where audit could add value. Lessons were being learned from Fife Council from their partnership with Edinburgh Council. L Simpson added that the Tay Cities Region Joint Committee was a separate entity and each of the Authorities involved had a role to play in shaping the Lead Authority model.

Councillor S Donaldson referred to the ALEO'S (Arms' Length External Organisations) audit (18-04) and how best to hold the Organisations to account. L Simpson advised that in respect of Horsecross, the Horsecross Board was still the governing body but an advisory board had been set up to help with the smooth management of the organisation. Expertise within the Council will assist in establishing a recovery plan.

Resolved:

- (i) The completion of all assignments from the 2018/19 Audit Plan, be noted.
- (ii) The outcome of consultancy work, be noted.

275. INTERNAL AUDIT UPDATE

(i) Corporate and Democratic Services

(a) 18-14 – Welfare Reform

There was submitted a report by the Chief Internal Auditor (19/163) on an audit to ensure that the Council has an understanding of the impact of Welfare Reform on services.

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Councillor W Wilson asked if there were good working relations with partnership agencies, such as the Citizen's Advice Bureau and whether more support was needed for staff.

L Brand confirmed there was a strong network with partners and regular meetings were held with the CAB. The roll out of Universal Credit had increased workload for staff.

N Sutherland added that the CAB were working with the DWP (Department of Work and Pensions) and were offering help to make a claim.

N Sutherland also advised that the Welfare Rights Team were dealing with cases where Universal Credit had been deducted for historical debt. Some of the debt could not be disputed as it was now time-barred and some clients had advised they were unaware of the outstanding debt. There had been discussion with DWP as some crises payments were required but the situation was not sustainable.

Councillor W Wilson stated consideration had to be given to how the Council can be appraised of this situation as the system was defeating its own ends and the problems had to be mitigated.

The Council and parliamentary colleagues need to be made aware of the situation, the consequences of it and consider a way forward.

Councillor S Drysdale requested that a presentation be given to a future meeting of this Committee for members' consideration of how to manage the situation.

L Simpson agreed a presentation would be given to a future Committee and the matter would also be raised with the Executive Officer Team and Corporate Management Group.

Councillor X McDade queried the allowance of 5% for doubtful debt provision and L Brady advised it was difficult to know so early in the financial year, however, cases were monitored for trends and consider the impact of Universal Credit. Account was being taken of the change to the process and issues raised with COSLA and the DWP. Staff will be flexible when arranging repayments.

Councillor X McDade added that he was pleased staff were able to take this approach with repayments and requested figures for the debt provision. L Brady agreed to provide that for him.

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Councillor D Illingworth congratulated the Welfare Rights Team on being accredited to undertake benefits advice work and representation at the highest level as per the Scottish Government Standards. He added that the guide to benefits was very complex creating scope for under and over payments but with the Universal Credit system being updated weekly there was less opportunity for incorrect payments but he felt the Audit Committee was not the best place to discuss the benefits system.

Councillor E Drysdale agreed the Committee was not the natural home for the discussion but the Council want to be doing what they can for those in financial difficulties due to the new payments system.

L Simpson agreed it was not for the Committee to debate the policy but could identify risk to be dealt with. If the risk was due to the policy the Committee then need to look at the policy to mitigate risk.

Councillor M Williamson stated the system seemed to be set up to fail and the Council were at risk because of it and questioned if the number of appeals would rise.

N Sutherland advised the number of appeals for Universal Credit may not rise as there were limited reasons for appealing.

L Brady added that in the last financial year 34 cases had been overturned which was a 75% success rate at appeal.

Councillor M Williamson expressed concern that elderly do not feel they are entitled to benefits and do not apply. L Brady advised that the Welfare Rights Team get information to as many people as they can and will continue to work with partners to contact people. N Sutherland also advised that information was provided at the Cornhill Macmillan Centre in Perth and at Ninewells Hospital, Dundee.

Councillor S Donaldson stated it was an excellent report and the issues raised need to be considered and how to deliver the service, taking account of the risk factor but queried if there was adequate staff to deliver the service. He also asked why appeals were not held in Perth and people had to travel to Dundee, Stirling or Kirkcaldy.

L Brady advised that, like all services across the Council, savings had to be made resulting in a reduction in staffing, however, targets had still been exceeded, despite increased demand.

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With regard to the location for the appeals, N Sutherland advised this had been raised a number of times but there had been reluctance by the Courts and Tribunal Service to change.

Resolved:

- (i) Internal Audit's findings, as detailed in Report 19/163, be noted.
- (ii) A presentation be given to a future meeting on deductions being made from Universal Credit.

L BRADY AND N SUTHERLAND LEFT THE MEETING AT THIS POINT.

HAVING DECLARED A NON-FINANCIAL INTEREST IN THE FOLLOWING ITEM, THE CONVENER VACATED THE CHAIR AND THE VICE-CONVENER TOOK THE CHAIR.

(ii) Health and Social Care Partnership

(a) 18-22 – Carers' Act Implementation

There was submitted a report by the Chief Internal Auditor (19/159) on an audit to ensure that the Council has adequate arrangements in place for implementation of the Carers (Scotland) Act 2016.

Councillor W Wilson noted there were strong internal controls found in this audit and asked about the Partnership working with PKAVS (Perth and Kinross Association of Voluntary Service). J Clark advised there was a strong partnership with PKAVS for providing support for Carers.

In response to a question from Councillor M Williamson, L Simpson confirmed that the Council was responsible for implementation of the Carers' Act but worked with the Health and Social Care Partnership in partnership with PKAVS.

Councillor S Donaldson highlighted that 59% of those who responded to the Health and Clinical Excellence survey did not feel supported which had to be considered and asked whether there was to be a separate audit on Young Carers. J Clark advised that Young Carers had not been identified as a high risk and therefore there were no plans to undertake an audit. Future audit work would be on the outcomes of the legislation.

Resolved:

Internal Audit's findings, as detailed in Report 19/159, be noted.

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276. FURTHER FOLLOW UP OF FINANCIAL ASSESSMENT AND CHARGING

There was submitted a report by the Chief Internal Auditor (19/160) presenting a summary of Housing and Community Care's response to the outcomes of Internal Audit's report on Financial Assessment and Charging and provides an update on the implementation of the agreed action plan.

F Low advised that the annual review had been completed taking account of the introduction of Frank's Law and procedures will continue to be monitored.

Information from the Scottish Government had been relied upon to undertake the re-assessment and the Charging Board had supported the Charging Team to enable bills to be issued.

L Simpson advised she had been on the Charging Board with the Head of Finance and there had been extensive discussion on priorities; the effect of Frank's law and the issue of bills. Consideration was now being given to how to make further improvements and manage the system more effectively.

Resolved:

- (i) The progress made by the Financial Assessment and Charging Team in implementing the actions agreed in the 16-07 Financial Assessment and Charging Report, be noted.
- (ii) The Chief Internal Auditor be requested to continue to work with Housing and Community Care, through the Charging Board, until the remaining action has been fully concluded.

277. INTERNAL AUDIT ANNUAL REPORT 2018/19

There was submitted a report by the Chief Internal Auditor (19/161) presenting the year-end report and audit opinion for 2018/19.

J Clark referred to the audit opinion that reasonable reliance can be placed on the Council's risk management and governance arrangements. J Clark added that further improvements would continue into 2019/20 regarding the formalising of professional development records and a review of the Counter Fraud and Corruption Strategy. J Clark also advised that the majority of control objectives in the year had been strong and moderately strong, with some moderate and one moderately weak. As there had been fewer actions the audit work could be more targeted. While strong controls were preferable it had to be acknowledged that moderately strong may be good enough.

L Simpson agreed that as the Council was having to do more with less, good enough would have to be an option and the important aspect was understanding the risk. The Annual Governance Statement will show that the Council is managing risk very well.

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Councillor X McDade stated that the increase in staff this year was demonstrated by the output and that it was important to embed transformation and change into the Perth and Kinross Offer and Think Yes with risk as a high priority.

L Simpson advised that the risk register was being revised and a development session would be arranged for Councillors.

Councillor S Donaldson agreed it was good that the Audit Team was now fully staffed and that risk was not a bad thing but had to be assessed. Councillor S Donaldson queried the whistleblowing arrangements; if there had been anything significant reported and if staff were trained on prevention of money laundering. J Clark advised that anything significant would be reported to the Committee and that she had recently attended training on money laundering and this would be rolled out to relevant staff.

Resolved:

The Audit opinion of the Chief Internal Auditor set out in section 7 of Report 19/161, be noted.

278. SAFEGUARDING PUBLIC MONEY: ARE YOU GETTING IT RIGHT

There was submitted a report by the Chief Internal Auditor (19/162) advising of the publication of a report from Audit Scotland on Safeguarding Public Money: Are You Getting it Right.

Resolved:

- (i) The Safeguarding Public Money: Are You Getting It Right, Audit Scotland publication, be noted.
- (ii) A development session be arranged for all Councillors to discuss the Council's response to the checklists contained within the publication.

COUNCILLOR W WILSON LEFT THE MEETING DURING DISCUSSION OF THE FOLLOWING ITEM

279. INTERIM MANAGEMENT REPORT AND AUDIT STATUS SUMMARY – YEAR ENDING 31 MARCH 2019

There was submitted a report by the External Auditor, KPMG, (19/164) presenting the interim management report and audit status summary for the year ending 31 March 2019.

M Wilkie summarised the interim report, highlighting key areas.

S Mackenzie advised that legal advice had been sought on the Statutory Loans Fund as a legal issue on accounting practice had been raised.

L Simpson confirmed that there was no question of improper accounting but a question of whether the Council was bound by old or new legislation. There was a

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difference of opinion with the Scottish Government and the position needed to be clarified.

M Wilkie advised that there was ongoing consultation on this matter as Perth and Kinross Council were not the only Council affected.

S Mackenzie advised that the Loans Fund had been reviewed and that had been reflected in the 2018/19 Revenue budget. The issue now to be resolved was whether debt from 2016 could be dealt with in the same way. S Mackenzie also advised that there would be a financial benefit to the Council of £3-4m if the Loans Fund could be reviewed. A decision was now required by KPMG on the way forward.

Resolved:

The Interim Management Report and Audit Status Summary for the year ending 31 March 2019, be noted.

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