

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Hay Room, Dewar's Centre, Glover Street, Perth on Wednesday 28 September 2016 at 10.00am.

Present: Councillors D Cuthbert, B Vaughan, H Anderson, K Baird, W Wilson and A Younger.

In Attendance: B Malone, Chief Executive; J Clark, C Irons, A O'Brien, L Simpson, J Symon, G Taylor and S Walker (all Corporate and Democratic Services); J Cockburn (Education and Children's Services); S Mackenzie (Environment Service); B Atkinson and F Low (both Housing and Community Care).

Also in Attendance: S Boyle and P Tate, Audit Scotland; A Shaw and M Wilkie, KPMG

Apology: Councillor J Giacobazzi

Councillor Cuthbert, Convener, Presiding.

. **WELCOME AND APOLOGIES/SUBSTITUTIONS**

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

. **DECLARATIONS OF INTEREST**

There were no Declarations of Interest made in terms of the Councillors' Code of Conduct.

. **MINUTE**

The minute of meeting of the Audit Committee of 29 June 2016 (Arts. 536 – 546) was submitted and approved as a correct record and authorised for signature.

In response to a question from Councillor W Wilson on Art 540, J Clark advised she would update Councillor Wilson on actions required by Corporate and Democratic Services and Education and Children's Services.

Members agreed to vary the order of business on the agenda:-

INTERNAL AUDIT UPDATE

(i) Housing and Community Care

(a) 16-07 – Financial Assessment and Charging

There was submitted a report by the Chief Internal Auditor (16/416), on an audit to ensure that (1) relevant information and guidance was available to the Assessment and Charging Team and their clients, (2) financial assessments and calculation of

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charges were identified and invoiced properly and (3) charges invoiced were accurate.

Councillor B Vaughan expressed concern that previously agreed improvement actions have not been maintained. Councillor Vaughan added that Services should ensure that progress was maintained and should not require Internal Audit to continue to monitor their practices.

B Atkinson advised that the Service was working hard to address issues, however, he set some context to the changes and the speed of processing changes to vulnerable persons was important.

Councillor B Vaughan suggested that telephone calls be recorded to be able to provide evidence. B Atkinson stated there was a need to balance recording the evidence and vulnerability and sensitivity. B Atkinson agreed to discuss the matter with the Council's Information Compliance Manager.

Councillor W Wilson referred to instances of supervisory oversight and existing pressures on staff and requested an update on these issues. B Atkinson confirmed issues were being addressed and practices improved.

It was noted the one-off exercise required to ensure that all invoices on hold were reviewed with appropriate action taken was currently underway and would be completed within the next two months.

Resolved:

- (i) Internal Audit's findings, as detailed in Report 16/416, be noted.
- (ii) Internal Audit provide an interim report to this Committee in March 2017 with a full report in June 2017.

(b) 16-08 – Adult Protection

There was submitted a report by the Chief Internal Auditor (16/417) on an audit to provide assurance over the process being followed for the protection of vulnerable adults referred to the Council.

It was noted that Action Point 2 in respect of the development of the webpage and literature was now completed, and that Action Point 6 in respect of always having a quorum for meetings of the Adult Protection Committee was difficult due to the requirement to have multi-agency representation.

Resolved:

Internal Audit's findings, as detailed in Report 16/ 417, be noted.

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(c) 16-09 – Housing Options

There was submitted a report by the Chief Internal Auditor (16/418), on an audit to ensure that adequate arrangements were in place within the Housing Options process.

It was noted that Action Point 3 in respect of the Training Toolkit was now being developed by the Scottish Government for rolling out as a pilot scheme in early 2017.

Resolved:

Internal Audit's findings, as detailed in Report 16/418, be noted.

B ATKINSON LEFT AT THIS POINT IN THE MEETING.

DRAFT AUDITED ANNUAL ACCOUNTS 2015/16 AND DRAFT 2015/16 ANNUAL AUDIT REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT

There was submitted a report by the Head of Finance (16/424), presenting (1) The Council's Draft Audited Accounts for the financial year 2015/16 in accordance with the Local Authority Accounts (Scotland) regulations 2014, (2) the draft 2015/16 Annual Report to Members and the Controller of Audit and (3) providing an update on the Council's new external auditors from financial year 2016/17.

The Convener thanked Audit Scotland for their diligence as the Council's auditors and welcomed KPMG who were taking over the role. The Convener referred to the unqualified accounts as an excellent document.

Councillor W Wilson referred to the Annual Audit Report to Members as having clarity and brevity and giving an early indication of the overall situation as being satisfactory.

Councillor B Vaughan expressed concern at the impact of the revenue budget underspend and that it had increased from the previous year. Councillor Vaughan added that if there was a projected underspend, services where savings had been implemented could be reintroduced. As underspends were regularly reported to the Strategic Policy and Resources Committee action could be taken to progress other services or projects.

J Symon advised that while there was a £16million underspend reported this equated to 3.9% of the overall budget in comparison to 3.3% the previous year but there has been an increase in the budget due to increased Council Tax collection rates on a continuing basis.

J Symon added that the report to the previous Strategic Policy and Resources Committee on 21 September 2016 projected an

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underspend of £0.94million in 2016/17 due to a focus on utilising available money.

B Malone advised that underspend was a very general term and further information was required to fully explain the position.

Demand-led services, such as those provided to young and old people, were very difficult to predict.

While there were genuine underspends there were also increased income and accelerated savings to take into account.
A full analysis would be undertaken to be clear on all funds available.

B Malone acknowledged Audit Scotland's suggestion that there was scope to refine the in-year financial management arrangements to consider the impact of underspends on service performance.

Councillor B Vaughan stated that while she was aware many services were demand-led, she considered the Council had erred on the side of caution and the Executive Officer Team required to look at the whole process. It was also important for Councillors to understand the process more fully. B Malone advised an executive summary would be provided for Councillors.

Councillor W Wilson referred to other factors affecting the budget such as, market forces and the weather, and proposed that road repairs should be an area of work which could be brought forward if funds were available. Councillor Wilson stated, while bearing in mind the pressures on staff, the Council should be trying to work smarter. He acknowledged there was a delicacy to the budget process and fine tuning was required but it was important to work through to find a formula to improve the position with regard to underspends.

Councillor B Vaughan referred to the section of the Annual Accounts which detailed that the budget was consistently underspent and by considerable amounts. Councillor Vaughan also referred to Audit Scotland highlighting a risk that the Council would be unable to deliver efficient and effective services and contribute to a prosperous, sustainable and inclusive economy for its area due to delays in investment or improvements to the asset base.

B Malone stated that as per reports to the Strategic Policy and Resources Committee the budget and programme delivery were not always aligned, ie a project could be completed but not fully funded. Also, some projects came in under-budget.

There was an extremely complex monitoring system in place and it was important to ensure the Capital Programme could be properly resourced and properly monitored.

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The Strategic Investment Group (SIG) had a robust process in place to monitor and assess the programme in detail.

To assist elected members a workshop could be provided on the process and the challenges faced.

Councillor W Wilson acknowledged that the capital budget had increased, but reiterated that staff were under pressure, suggesting consideration should be given to the appointment of staff on a fixed-term basis if that was necessary.

B Malone confirmed that as a very ambitious capital programme was being progressed it was necessary to ensure it was adequately resourced, including staffing.

S Boyle advised that the Audit Scotland report had been prepared to be considered along with the accounts and he was content with responses from officers.

The accounts were unqualified for the Council and the Charitable Trust Funds.

As it was the last meeting of the Committee for Audit Scotland, S Boyle wanted to record his thanks to the Committee and to Finance staff for their support, co-operation and positive approach over the last five years.

Resolved:

- (i) The contents of Audit Scotland's Draft 2015/16 Annual Audit Report to members and the Controller of Audit and covering memo be noted.
- (ii) The 2015/16 Annual Accounts be approved and the Leader of the Council, the Chief Executive and the Head of Finance be authorised to sign them.
- (iii) The appointment of KPMG as the Council's external auditors for financial years 2016/17 to 2020/21, be noted.

B MALONE, A O'BRIEN, S WALKER AND P TATE LEFT THE MEETING AT THIS POINT.

. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (16/411), presenting the Committee with a current summary of Internal Audit's follow up work.

Officers from the relevant Services were present to answer members' questions on the progress on outstanding actions as follows:

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Corporate and Democratic Services

(a) Audit Scotland 6 – Action Point 11

In response to a question from Councillor W Wilson regarding the amount of time spent on this action point, L Simpson advised the opportunity had been taken to review the Minute of Agreement as the delivery of the service had not been reviewed since the 1990's. The document had been revised in collaboration with Angus and Dundee City Councils and a very positive meeting had been held with Tayside Contracts on the signing of the document.

L Simpson assured members that March 2017 was a realistic target for the conclusion of this Action Point.

Education and Children's Services

(a) 14–13 – Management of the Relationship with Live Active Leisure

A reassurance was given that the revised date of October 2016 would be met.

Housing and Community Care

(a) 15 -13 – School Transport Contracts

It was noted that the review of contracts and procedures to be carried out to ensure that the Council was fully compliant with the Protection of Vulnerable Groups (Scotland) Act 2007 was specifically in respect of School Transport Contracts.

Resolved:

An update be emailed to members following the meeting to be held in October to progress this issue.

The Environment Service

(a) 15-13 – Action Point 7 - School Transport Contracts

It was noted this Action Point was now complete.

THE NATIONAL FRAUD INITIATIVE 2014/15 AND 2016/17

There was submitted a report by the Chief Internal Auditor (16/412) presenting the reported findings of the 2014/15 National Fraud Initiative exercise and outlining preparations currently underway in respect of the 2016/17 exercise.

Councillor W Wilson asked for clarification on why this Council does not provide the Electoral Register to data match and L Simpson confirmed that the legal advice provided was that the Council was not at liberty to disclose the information for

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this purpose. J Symon advised that alternative, very successful, measures were used for data matching.

Resolved:

- (i) The outcomes within the Audit Scotland report on the National Fraud Initiative 2014/15 be noted.
- (ii) The work being undertaken for the 2016/17 exercise be noted.
- (iii) The Audit Scotland self-appraisal checklist relating to those charged with governance and attached at appendix B to report 16/412, be approved.

INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (16/413) presenting a summary of Internal Audit's work against the 2016/17 Annual Plan.

The Convener congratulated the Internal Audit team for completing the 2015/16 Audit Plan within the year.

It was noted that an update in respect of Audit 16-14, Named Person Follow-Up would be provided to the next Committee on 23 November 2016 and that Audit 16-21, Property Maintenance, was also on target to be reported to the next Committee.

Resolved:

- (i) A summary of Internal Audit's work against the 2016/17 annual plan be noted.
- (ii) The progress of work on the Internal Audit Plan for 2016/17 be noted.

The Committee considered the following final reports:-

(i) Corporate and Democratic Services

(a) 16-05 – Information Sharing

There was submitted a report by the Chief Internal Auditor (16/414), on an audit to ensure that (1) there were adequate corporate arrangements for data protection when sharing information with other organisations; (2) systems and processes were in place for sharing information which comply with legislation and corporate arrangements and (3) adequate protocols were in operation between the Council and organisations with which we share information.

J Clark advised a key issue was the lack of corporate knowledge about what Services were doing in relation to information sharing. Although nineteen draft protocols were held by the Information Compliance Manager only two protocols had been received in respect of the audit. Although there was no requirement for the Information Compliance Manager to be notified when such agreements were entered into, there was evidence of a need to manage these protocols.

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J Clark added that Services could have protocols which were inappropriate or be sharing information inappropriately.

L Simpson advised there were no issues regarding data breaches but protocols could set boundaries and required to be evidenced.

Councillor B Vaughan suggested that Services may not have been aware of what was required of them but that information sharing and the extent of it was an important issue.

L Simpson advised all staff should be aware of policy and procedures in relation to data protection, however, processes needed to be tightened up by May 2018 due to a change in legislation.

It was noted that while Directors were named as the responsible officers for actions and responsibility rested with them, the actions would be delegated to other officers.

Resolved:

Internal Audit's findings, as detailed in Report 16/414, be noted.

(b) Credit Cards

There was submitted a report by the Chief Internal Auditor (16/423) on the audit to ensure that (1) adequate arrangements were in place for the requesting and authorising of Council credit cards, (2) credit cards were used appropriately and were subject to appropriate control within Services and (3) credit card expenditure was adequately reconciled throughout the Council.

Resolved:

Internal Audit's findings, as detailed in Report 16/423, be noted.

(ii) Education and Children's Services

(a) 16-06(A) – Financial Management of Through Schools

There was submitted a report by the Chief Internal Auditor (16/415), on an audit to ensure that Fairview School, Perth was managed in accordance with the financial procedures as laid down by Education and Children's Services.

Resolved:

Internal Audit's findings, as detailed in Report 16/415, be noted.