

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Council Chamber, 2 High Street, Perth on Wednesday 26 June 2019 at 9.30am.

Present: Councillors E Drysdale, S Donaldson, H Anderson (substituting for M Williamson), A Coates, D Illingworth, X McDade and W Wilson.

In Attendance: J Clark, C Irons, S Mackenzie, A O'Brien, L Simpson, S Walker and M Willis (all Corporate and Democratic Services); J Cockburn (Education and Children's Services) and F Crofts (Housing and Environment).

Apology: Councillor M Williamson.

Councillor Drysdale, Convener, Presiding.

. **WELCOME AND APOLOGIES/SUBSTITUTIONS**

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

. **DECLARATIONS OF INTEREST**

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

. **MINUTE**

The minute of meeting of the Audit Committee of 22 May 2019 (Arts. 270-279) was submitted and approved as a correct record and authorised for signature.

With regard to the Interim Management Report and Audit Status Summary (Art. 279), Councillor S Donaldson requested an update on the difference of opinion on the Loans Fund and L Simpson advised that Audit Scotland had taken legal advice which had resolved the issue and there would be no detriment to the Council. S Mackenzie confirmed that Audit Scotland had issued revised guidance to clarify points which had resolved the matter.

F Crofts advised that a training session for all Councillors was being arranged on climate change in response to Councillor W Wilson's request at the previous meeting for advice to respond to enquiries from constituents. (Art. 272)

The Convener advised that a presentation would be given to the Audit Committee on 18 September 2019 on Universal Credit when further information had become available. (Art 275 (i)(a))

Councillor S Donaldson advised that following discussion at the previous meeting he had contacted the Courts and Tribunal Service and had circulated the response to Committee members advising that there were no plans to introduce a Perth hearing venue for welfare rights appeals.

Councillor W Wilson suggested the Council could perhaps help facilitate accommodation for the venue if that was a problem.

The Convener thanked Councillor S Donaldson for raising the matter with the Courts and Tribunal Service and confirmed that the whole issue of Universal Credit would be discussed at the next meeting of this Committee. (Art 275(i)(a))

. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (19/193) presenting a current summary of Internal Audit's work.

Councillor X McDade asked the reason why there had been nine requests for advice/guidance in a two month period compared to seven requests in the previous year. J Clark advised that services were now recognising the consultancy role that Internal Audit offer and that they were encouraging services to make contact for advice; guidance; support and assurance.

Resolved:

The completion of assignments since the last Audit Committee on 22 May 2019, be noted.

. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (19/194) presenting a summary of Internal Audit's follow up work.

In response to questions from Councillors X McDade and H Anderson, F Crofts confirmed that LEADER payments from the Scottish Government were being made to the Council and that issues with the national IT system were being resolved.

Councillor W Wilson asked for confirmation that the ResourceLink/MyView would reflect the current operational structure from 30 June 2019 and S Walker advised the deadline would not be met but he would contact services to ensure the required information was forwarded to payroll so that the system could be updated as soon as possible.

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.

INTERNAL AUDIT STRATEGY AND PLAN 2019/20

There was submitted a report by the Chief Internal Auditor (19/195) presenting the strategy for the delivery of Internal Audit and the proposed approach for the direction of planned Internal Audit work for 2019/20.

J Clark advised that a risk based Internal Audit Plan was prepared in accordance with the Public Sector Internal Audit Standards (PSIAS). The outcomes of the Best Value Review and the Health and Social Care Partnership external inspection were awaited and may influence the direction of some elements of Internal Audit activity within the year. Changes to the Risk Register would also influence the Plan.

The Convener thanked the Internal Audit Team for developing the Audit Plan with limited resources and added that a replacement was being recruited for the Senior Internal Auditor who had recently retired and that J Clark had taken on the role of Chief Internal Auditor to the Integration Joint Board for the next three years following a review of the service. He stated he was delighted with the thematic approach to the Plan which would be amended as appropriate and added that one third of staff time was spent on general activities, such as National Fraud Initiative checks; the Counter Fraud and Corruption Strategy; Continuing Professional Development; monitoring of agreed actions.

Councillor X McDade asked about progress of the Tay Cities Deal audit and J Clark advised that a collaborative approach was being taken and she was in negotiation with the other Local Authorities involved to ensure any risks were covered by the audit but the detail had not yet been agreed.

Councillor X McDade queried how Transformation projects would be audited with proposed changes for Transformation to be embedded into everyday activities rather than a separate Programme and J Clark confirmed that Internal Audit would react to the proposed changes and L Simpson added that there would continue to be a structured governance framework with reporting to the Strategic Policy and Resources or Audit Committees as necessary.

Councillor H Anderson referred to the proposed Recycling Centres audit and whether the review would consider the management of re-saleable goods from the centres or taking them elsewhere and J Clark confirmed it would look at all aspects, ensuring the protection of the staff against potential allegations of corruption/fraud.

Councillor W Wilson referred to a third of audit time being taken up with general activities and questioned if some of these activities, such as the verification of the Bus Service Operators Grant, could be undertaken every second year instead of annually to release extra resources. J Clark advised that the verification of the Bus Service Operators Grant had previously been carried out twice a year so resources had been released in reducing it to once a year and assured the Committee that the Team wanted to dedicate as much time as possible to the Plan as well as allowing time for consultancy and flexibility to respond to unplanned work.

Councillor S Donaldson suggested the Committee should not preclude a more specific approach in audits and J Clark advised that the scope of audits varies and could be wide or very targeted, for example, the Contracting audit would focus on specific contracts but the Inclusion audit would be more wide-ranging and a future audit on the Health and Social Care Partnership would be based on the outcomes from its inspection. J Clark added that she would report back to Committee when the inspection report was available.

Resolved:

The Internal Audit Strategy and Plan for 2019/20, be approved.

CORPORATE RISK MANAGEMENT – PROGRESS REPORT 2018-19

There was submitted a report by the Head of Legal and Governance Services (19/196) on (i) informing the Committee of progress made in respect of implementing improvements in relation to risk management; (ii) advising the Committee of the current key strategic risks facing the Council and (iii) providing assurance as to the effectiveness of the Council's Risk Management Framework.

L Simpson advised that following approval of a report by the Strategic Policy and Resources Committee on 8 February 2017 (Report No 17/63), a new approach had been taken to risk management and actions had been taken to embed the Risk Management Framework and establish certified risk practitioners; create a risk toolkit and hold risk based workshops. L Simpson stated that risks were seldom static and the risk register was a live document which required to be regularly monitored and reviewed.

It was noted that the following programme of risk management activity was planned for 2019/20:

- (i) Assessment of risks relating to Health and Social Care Partnership and the Council's role as a statutory partner and provider of commissioned services
- (ii) Assessment of risks relating to Arm's Length External Organisations
- (iii) Review of risks in light of findings from the Council's Best Value Audit, once published
- (iv) Development Session with Audit Committee
- (v) Development Session with all elected members
- (vi) Review of the Council's Risk Appetite Statement
- (vii) Further refine the Risk Management Framework as part of the wider governance review and CIPFA Governance Mark of Excellence accreditation process

Councillor W Wilson commended the report which was set out clearly but stated there was a risk of pressure on staff, following a reduction in staff numbers, to meet the expectations of the public.

L Simpson advised that the register referred to Corporate risks which required to be mitigated by all services but if the risks also exist within services they would be addressed there. There was a general risk in relation to workforce planning and resourcing and a key aspect of workforce management was ensuring the Council

had a suitably skilled workforce and that resources were directed to where they were needed.

Councillor X McDade referred to risk number seventeen on the register and queried the residual risk score. L Simpson advised that the scoring reflected the fact that the governance framework was currently the subject of review and advised that it would likely reduce once that work was completed.

Resolved:

- (i) Progress to date embedding the risk management strategy, be noted.
- (ii) The current key strategic risks identified through the risk management process, be noted.
- (iii) The assessment as to the effectiveness of the current Risk Management Framework, be noted.

UNAUDITED DRAFT ANNUAL ACCOUNTS 2018/19

There was submitted a report by the Head of Finance (19/197) presenting the Council's Unaudited Annual Accounts for the financial year 2018/19 in accordance with the Local Authority Accounts (Scotland) Regulations 2014 for submission to the Controller of Audit by 30 June 2019.

S Mackenzie advised members that the annual accounts had been prepared in accordance with the relevant regulations. The requirement to carry out an annual review of the effectiveness of a Local Authority's systems of internal control by elected members had been met with the approval of the Annual Governance Statement by the Scrutiny Committee on 12 June 2019. The unaudited annual accounts were being submitted to this Audit Committee prior to their submission to the external auditor, KPMG, and being made available for public inspection. The audited accounts would be submitted to the Audit Committee on 18 September 2019 prior to consideration by the Council on 25 September 2019.

The Convener thanked the Head of Finance and colleagues for the preparation of the unaudited accounts and highlighted the £1,000,000 underspend on Finance/Investment and Other due to the efforts of the Treasury Management Team and a Tayside Contracts surplus.

In response to a question from Councillor X McDade, S Mackenzie confirmed that retirement packages paid to senior officers were approved by the Strategic Policy and Resources Committee in accordance with approved procedure.

Councillor S Donaldson asked if a review of pensions, as recommended by KPMG, had been undertaken. S Mackenzie advised that a high level review was required and the Council would require to employ actuaries to undertake the review. Councillor S Donaldson referred to a list of Common Good properties to be compiled and L Simpson confirmed that the Community Empowerment (Scotland) Act 2015 required Councils to establish and maintain a list of property held as part of the Common Good. As there was currently not a list, a list was being compiled with additional resources employed over the next few months.

Councillor X McDade asked why PPP (Public-Private Partnership) buildings were included in the accounts as assets as the Council would not own these. A O'Brien advised that internal accounting procedures required them to be included to take account of future liabilities for the buildings. Councillor X McDade suggested the Council would be better to buy out the PPP contract with a low interest loan as other Local Authorities had done. S Mackenzie advised that financial support had previously been provided for PPP contracts but they would no longer be considered the most suitable way to provide a new building. Discussions were ongoing with the Futures Trust on an appropriate model for financing large projects. He added that the cost of buying out the contracts would be significant but would look at the figures.

Resolved:

- (i) The Head of Finance be authorised to sign the Unaudited Annual Accounts.
- (ii) That the unsigned Audited Annual Accounts be submitted to this Committee on 18 September 2019 for approval, be noted.

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