

AUDIT COMMITTEE

Minute of Meeting of the Audit Committee held virtually via Microsoft Teams on Wednesday 16 September 2020 at 10.00am.

Present: Councillors E Drysdale, S Donaldson, J Duff (substituting for Councillor H Coates), D Illingworth, R McCall, S McCole (substituting for Councillor M Williamson) and X McDade.

In Attendance: J Clark, A O'Brien, S Mackenzie, S Walker, P Johnstone, K Johnston, C Flynn and K Molley (all Corporate and Democratic Services); B Renton and C Guild (Housing and Environment); and J Cockburn (Education and Children's Services).

Also In Attendance: M Wilkie and C Windeatt, KPMG; and N Williams, Horsecross.

Councillor E Drysdale, Convener, Presiding.

1. WELCOME AND APOLOGIES/SUBSTITUTIONS

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

2. DECLARATIONS OF INTEREST

- (i) Councillor S Donaldson declared a non-financial interest in item 6(i)(a) as a Director of Horsecross Arts Ltd.
- (ii) Councillors E Drysdale declared a non-financial interest in item 4 as the Chair of the Perth and Kinross IJB Board and Councillors, J Duff and X McDade declared a non-financial interest in item 4 as Board members of the Perth and Kinross IJB Board.

3. MINUTES

(a) Minute of Meeting of the Audit Committee of 5 February 2020 for approval

The minute of meeting of the Audit Committee of 5 February 2020 was submitted and approved as a correct record.

(b) Minute of Special Meeting of the Audit Committee of 22 July 2020 for approval

The minute of meeting of the Audit Committee of 22 July 2020 for was submitted and approved as a correct record subject to the following amendment –

Councillor X McDade expressed unhappiness towards the Unaudited Accounts being sent to Auditors for final sign off before these had been considered by members of the Audit Committee.

COUNCILLOR S DONALDSON TOOK THE ROLE OF CONVENER AT THIS POINT

4. DRAFT AUDITED ANNUAL ACCOUNTS 2019/20 AND DRAFT ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH AND KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2020

There was submitted a report by the Head of Finance (20/162) presenting the Council's Draft Audited Annual Accounts for financial year 2019/20 in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and includes the Draft Annual Audit Report to Members of Perth and Kinross Council and the Controller of Audit for the Year Ended 31 March 2020.

In response to a question from Councillor R McCall regarding loans to others and experience of default, A O'Brien explained that loans to others included cases where clients required assistance with payment of care fees –charges are guaranteed against property and mortgages for essential property repairs in shared ownership properties and advised that there had been no significant defaults on this in the past, and that percentages are based on previous years. A O'Brien added that due to the pandemic situation the percentages would be reviewed during the year and may need to be reassessed.

M Wilkie and C Windeatt, KPMG, referred to the Executive Summary and the audit conclusions of their Audit report.

In response to a question from Councillor Donaldson regarding which KPI's have improved, remain steady and need attention, C Windeatt advised that there are 63 indicators with 20 remaining steady, 8 needing further attention and the rest have largely improved.

In response to a question from Councillor X McDade regarding the Perth and Kinross Offer, M Wilkie agreed that a number of recommendations in the Best Audit Value report referred to the Perth and Kinross Offer and he advised that External Auditors would like to see a clear plan of the steps of the implementation of the Perth and Kinross Offer by next year end. This plan should highlight culture, changes in process and plans for communication with communities.

In response to a question on pensions from Councillor S Donaldson regarding the McCloud and Goodwin Cases and the potential liability which could arise, M Wilkie advised that in terms of the McCloud case, this would change the liability but not by material amounts in the financial statements. KPMG are satisfied with the enhanced disclosure with the ongoing changes to each of these cases without quantification.

Councillor S Donaldson and other members on the Committee thanked Internal Auditors and the Finance Team for all their work on the Audited Annual Accounts throughout these difficult circumstances due to the COVID-19 pandemic.

Resolved:

- (i) KPMG's Draft Annual Audit Report to the members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2020 attached as Appendix C to Report 20/162, be noted.

- (ii) The 2019/20 Audited 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 Head of Finance be authorised to sign the Letter of Representation.

COUNCILLOR E DRYSDALE RESUMED THE ROLE OF CONVENER AT THIS POINT.

5. INTERNAL AUDIT UPDATE

There was submitted a report by Chief Internal Auditor (20/163) presenting a summary of Internal Audit's work, including outcomes from consultancy work undertaken as part of the Internal Plan.

Resolved:

- (i) The completion of assignments undertaken by Internal Audit since the last meeting of the Audit Committee on 22 July 2020, be noted.
- (ii) The pausing of Internal Audit activity during the COVID-19 pandemic, be noted.
- (iii) The outcomes from the consultancy work, be noted.

The Committee considered the following final reports:

6(i) Corporate and Democratic Services

(a) 19-12 – ALEOS – Horsecross

There was submitted a report by the Chief Internal Auditor (20/164) on an audit to ensure that the risks highlighted in the Audit Glasgow report are mitigated.

In response to a question from Councillor R McCall regarding if there could be any issues in delivering the outcomes set out in the report, N Williams assured the Committee that there were no substantial issues which could prevent the outcomes of the report being delivered. K Johnston added that through a joint approach between Horsecross Arts and Perth and Kinross Council, discussions had taken place regarding monitoring meetings and finance will be on the agenda when these meetings are up and running. KPI's will also be reviewed regularly to make sure everything is being covered in terms of Horsecross Arts as a business and for the Council to assist Horsecross Arts with their future recovery.

In response to a question from Councillor S McCole regarding Section 3.19 of the Glasgow Audit report on financial management and if the other areas outlined had gone through a similar audit exercise, N Williams confirmed that Horsecross Arts will be re-establishing all of their formal processes, checks and balances. K Johnston added that as part of the Council's monitoring these areas will be included.

In response to a question from Councillor X McDade regarding SLA Payments being withheld, J Clark advised that this report was due to go to committee in March and withholding SLA payments would have only been the final option if Horsecross Arts had shown little progress. K Johnston agreed that all options have been reviewed due to the pandemic and that this will continue to be monitored.

In response to a question from Councillor J Duff regarding special tax rules for hiring workers through an intermediary, the liability around income tax and if there had been any audits taken in relation to this, N Williams advised that this has been a significant piece of work undertaken by Horsecross Arts. Throughout the summer all contractual freelances were under review for redevelopment and he believes the liability should be mitigated in advance of the deadline in April 2021.

Convener thanked N Williams and K Johnston for their attendance.

Resolved:

Internal Audit's findings, as detailed in Report 20/164, be noted.

(b) 19-07 – Workforce Planning

There was submitted a report by the Chief Internal Auditor (20/165) on an audit to ensure the effectiveness of workforce planning measures.

In response to a question from Councillor S Donaldson regarding the timeline of the next Workforce Planning Report for 2021, P Johnstone advised that there has been engagement in the forums by providing information on workforce an update on actions in the current Workforce Plan 2018-2021 which are still relevant. Due to the pandemic, there will be a short-term Interim Workforce Plan as part of recovery and renewal which will touch on the work in the Organisational Development Plan. There are skills, behaviour and culture shift as part of the Perth and Kinross Offer which are key to how we use and deliver resources. P Johnston added that by early 2021, there will be a new long-term Corporate Workforce Plan and preparation is now underway.

In response to a question from Councillor S McCole regarding engagement with Elected Members, P Johnstone advised that updates will continue to be shared at the Employees Joint Consultative Committee and Joint Negotiating Committee for Teaching Staff.

In response to a question from Councillor X McDade regarding expertise across the workforce to manage cultural change over such a large scale in the organisation, P Johnstone advised that work that is being undertaken by Human Resources and Organisational Development to see how we can mobilise our staff to give them the necessary skills to deliver activities. P Johnstone added this will not be through one culture shift as the Council is a diverse organisation with many different cultures, although there will be a set of agreed principles. C Guild added that the Organisational Development Plan

will go to the Council meeting in October and details arrangements for cultural change. C Guild added that Organisational Development are currently working with an external agency on risk and ground rules and are developing a train the trainer approach to create a wider core team in developing cultural change within the organisation.

B Renton added that the draft Organisational Development Plan will be shared with elected members at a future meeting of the Offer Member/Officer Working Group for discussion prior to it being considered at the next Council meeting in October.

Resolved:

Internal Audit's findings, as detailed in Report 20/165, be noted.

7. INTERNAL AUDIT STRATEGY AND PLAN 2020/21

There was submitted a report by the Chief Internal Auditor (20/166) presenting the strategy for the delivery of Internal Audit and the proposed approach for the direction of planned Internal Audit work for 2020/21.

Resolved:

The Internal Audit Strategy and Plan for 2021 as detailed in Report 20/166, be approved.

8. INTERNAL AUDIT COMMON DEFINITIONS

There was submitted a report by the Chief Internal Auditor (20/167) presenting a proposal to adopt the use of common definitions for the reporting of overall results for Internal Audit assignments.

In response to a question from Councillor S Donaldson regarding CIPFA's Internal Audit Common Definitions and if it was mandatory for local authorities to adopt this document, J Clark advised that it is not mandatory for local authorities to use these definitions, however this is a helpful document and would provide consistency across other bodies, such as the Integration Joint Board as to what these definitions mean.

Councillor S Donaldson asked another question regarding how many local authorities have adopted CIPFA's definitions and if this could be used to compare with other Councils, J Clark advised that this could be used as a benchmarking tool with other local authorities. She added that there have been discussions among the Scottish Local Authority Chief Internal Auditor's group with many welcoming this document. J Clark confirmed that there will be a review in a years' time to see how the standardisation has worked for Internal Auditors, Services and Elected Members throughout the Council.

Resolved:

- (i) Contents of the CIPFA document, outlined in Appendix 1 to Report 20/167, be noted.
- (ii) It be approved that these definitions be applied for future Internal Audit work.

9. THE NATIONAL FRUAD INITIATIVE

There was submitted a report by the Chief Internal Auditor (20/168) presenting the reported findings of the 2018/19 National Fraud Initiative exercise.

Resolved:

The outcomes as reported within the National Audit Scotland report of the National Fraud Initiative 2018/19 as detailed in Appendix 1 of Report 20/168, be noted.