

# AUDIT COMMITTEE

Minute of Meeting of the Audit Committee held virtually via Microsoft Teams on Wednesday 8 December 2021 at 09.30am.

Present: Councillors E Drysdale, L Barrett, D Illingworth, G Laing (substituting for Councillor S Donaldson), R McCall and X McDade.

In Attendance: L Simpson, S Mackenzie, J Clark, K Molley, A Brown, M Pasternak, L McGuigan and B Parker (all Corporate and Democratic Services); F Crofts and F Robertson (Communities); and J Cockburn (Education and Children's Services).

Also in Attendance: W Anderson, Horsecross Arts Ltd.

Apologies: Councillors H Coates and S Donaldson

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

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

## 3. MINUTE OF MEETING OF THE AUDIT COMMITTEE OF 20 SEPTEMBER 2021 FOR APPROVAL

The minute of meeting of the Audit Committee of 20 September 2021 was submitted and approved as a correct record.

## 4. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (21/228) presenting a current summary of Internal Audit's 'follow up' work relating to actions due for completion up to September 2021.

### **Resolved:**

The completion of internal audit actions due within the period July-September 2021 and the current position in respect of the agreed actions arising from internal audit work, be noted.

## 5. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (21/229) presenting a summary of Internal Audit's work undertaken as part of the Internal Audit Plans for 2019/20 and 2020/21.

Members thanked J Clark and her team for their efforts throughout 2020/21.

In response to a question from Councillor X McDade regarding staffing resources within the Internal Audit team, J Clark advised that currently three full time members of staff are employed, and plans are underway to expand staffing further.

**Resolved:**

The progress with Internal Audit activity, be noted.

**5(i). COMMUNITIES**

**(a) 19-12 ALEO's - Horsecross**

There was submitted a report by the Chief Internal Auditor (21/230) on an audit to review evidence for improvement to areas highlighted in the Audit Glasgow report and general oversight of Horsecross throughout 2020-21 and to date.

J Clark advised that under section 9 of report 21/230, action point 1 with a high risk, had been completed.

In response to question from Councillor L Barrett regarding the table under 4.1 and assurance can be provided that the control objective assessment will increase to substantial over reasonable regarding the necessary outstanding actions, J Clark advised that there is confidence that substantial assurance would be met once actions are completed, assuming that no other changes are made to the control environment.

In response to a question from Councillor X McDade regarding staff structure and free-lance staff at Horsecross, W Anderson advised that all three free-lancers had been assessed using the HMRC tool to see if they were subject to IR35 and should be treated like employees, but evidence shows they were not related, and therefore no risk was associated. W Anderson added that the number of direct reports to the Chief Executive have been reduced.

In response to a question from Councillor G Laing, F Robertson advised that reasonable progress had been made at Horsecross since 2019, regarding areas that raised significant concern. She added that there is a clear framework in place for monitoring the three ALEO's operationally and strategically. With a strong Board now in place at Horsecross, the aim is that progress continues as restrictions of the covid pandemic start to ease.

In response to a question from Councillor E Drysdale regarding lack of internal audit activity prior to 2019, F Robertson advised that Horsecross had been the subject of internal audit between 2013-2019 and Horsecross has also been assessed under thematic reviews carried out by Audit Scotland.

In response to a question from Councillor L Barrett regarding an update under section 9, action point 4, on the 6 areas where Glasgow Audit considered further review should be undertaken, but which were outside Glasgow Audit's scope, F Robertson advised that at the point when Glasgow Audit were commissioned, the new Chief Executive was not long in post at Horsecross and there focus needed to be on the areas identified as requiring urgent action. W Anderson added that the 6 areas previously mentioned are still important and are part of everyday management. He added that he is satisfied with the progress that had been made and evidence around those areas will be formally met and provided to the Board within the set timescales of March 2022.

In response to a question from Councillor X McDade regarding the issue of cyber security, F Robertson advised that Glasgow Audit did not uncover any specific issues or threats in relation to cyber security at Horsecross in 2019 but it continues to be an important issue that is monitored carefully. Councillor X McDade added that it would be beneficial for an update to be brought to a future meeting of the Audit Committee.

F Robertson clarified that PKC cannot direct an ALEO as an ALEO is an independent charity but as the sole member, PKC have the right to intervene and offer advice where there is significant failure, which was shown in 2019 and previously in 2013. The role of the Scrutiny Committee, Audit Committee and the quarterly monitoring of the contract are the key tools to ensure best practice.

Members thanked F Robertson, Internal Audit, and officers at Horsecross for progress made in terms of the significant issues raised from the Glasgow Audit report in 2019.

**Resolved:**

The contents of report 21/230, be noted.

F ROBERTSON AND W ANDERSON LEFT THE MEETING AT THIS POINT.

**5(ii). ALL SERVICES**

**(a) 20-04 Contracting (incorporating 19-06 Contracting)**

There was submitted a report by the Chief Internal Auditor (21/131) on an audit of Contracting which was undertaken as part of the Internal Audit Plans which were approved by the Audit Committee in June 2019 and September 2020 and the report covers the audit work for both years.

In response to a question from Councillor L Barrett regarding the level of risk associated with the weakness identified in the management action plan, J Clark advised that activity was carried out at a contract level. S Mackenzie explained that the documentation was currently lagging behind the operational practice. He explained by way of

assurance that in terms of procurement activity there is a high level of transparency and scrutiny and confirmed that no major concerns have been identified from our auditors, internal or external. He advised that public sector procurement is one of the most regulated activities that the Council undertake.

In response to a question from Councillor X McDade regarding action owners, J Clark advised that officers identified as action owners are the primary contact within a service and would be responsible for addressing the actions identified in the report and creating appropriate frameworks. These frameworks would then be endorsed by Executive Directors or the relevant Chief Officer.

In response to a question from Councillor D Illingworth regarding different contracts, J Clark advised these 7 contracts were chosen due to risk of outcomes and finances. She added that it was important to take on contracts that cover different services, a wide range of spend and involve different officers to analyse consistency across the organisation.

In response to a question from Councillor G Laing regarding monitoring the delivery of contracts if there are no performance indicators to reference, J Clark advised that whilst key performance indicators were not articulated, there are contract terms and conditions which determine contract performance. She advised that there was a clear framework in place for monitoring the delivery of contracts, which provided evidence to internal audit that contracts were being managed appropriately and delivering the outcomes that were required. She added that as specific contracts were delivering, the lack of performance indicators did not cause significant concern, but it is important that governance procedures are tightened and documented for future activity.

By way of further assurance L Simpson advised that contract management processes, and procedures are scrutinised in depth on an annual basis through the annual governance statement process, and through internal and external audit. S Mackenzie added that there is continued engagement with contractors to manage performance

In response to a question from Councillor L Barrett regarding contracts that are not run within PKC and assurance around management of these contracts, J Clark advised that this was not within the scope of the original audit but that an update would be brought to audit members in due course.

**Resolved:**

The contents of report G/21/78, be noted.