

ABERDEENSHIRE COUNCIL

AUDIT COMMITTEE

WOODHILL HOUSE, ABERDEEN, 21 MARCH, 2018

Present: Councillors R Cassie (Chair), A McKelvie, (Vice Chair), N Baillie, A Bews, A Buchan, M Ewenson, A Fakley, W Howatson, A Kloppert, H Smith, I Sutherland, I Taylor and B Topping.

Apology: Councillor S Leslie.

Officers: Director of Business Services, Chief Internal Auditor, Corporate Finance Manager, H R Manager (HR & OD), Principal Solicitor (Democratic Services), and Senior Committee Officer (Mr N David).

Also in attendance: Ms Anne MacDonald and Ms G Woolman, Audit Scotland.

1. DECLARATION OF MEMBERS' INTERESTS

The Chair asked members if they had any interests to declare in terms of the Councillors' Code of Conduct. Councillor Sutherland declared an interest in Item 5, in relation to the Internal Audit Report on Car Parks Income on the basis of his involvement with the Peterhead BID and matters relating to car parks arising therefrom. He indicated that having applied the objective test and concluded that it was so remote and insignificant that he would remain and participate in the meeting.

No other interests were declared.

2(a). PUBLIC SECTOR EQUALITY DUTY

In taking decisions on the undernoted items of business, the Committee **agreed**, in terms of Section 149 of the Equality Act 2010 to:-

- (1) have due regard to the need to :-
 - (a) eliminate discrimination, harassment and victimisation,
 - (b) advance equality of opportunity between those who share a protected characteristic and persons who do not share it,
 - (c) foster good relations between those who share a protected characteristic and persons who do not share it, and
- (2) consider the contents of equality impact assessments, where provided, and to take those into account when reaching a decision.

2(b). RESOLUTION

The Committee **agreed**, in terms of Section 50A (4) and (5) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of Item 11, so as to avoid disclosure of exempt information of the classes described in 1, 8, 12 and 14 of Part 1 of Schedule 7A of the Act.

3. MINUTE OF MEETING OF THE AUDIT COMMITTEE OF 31 JANUARY, 2018

There was circulated, **noted, approved** and thereafter signed by the Chair, the Minute of Meeting of the Audit Committee of 31 January, 2018.

4. PROGRESS WITH ACTIONS FROM PREVIOUS AUDIT COMMITTEE MEETINGS

There was circulated a report dated 13 February, 2018, by the Director of Business Services, which updated members on progress made with actions agreed at the previous meeting of the Audit Committee, held on 31 January, 2018.

The Chair and members of the Committee requested information as to why the request to the Education and Children's Services Committee to consider undertaking Stage 1 of the review process in respect of Internal Audit Report 1719 (Information Technology in Schools) was not being reported back to the meeting or included on the agenda of the Education and Children's Services Committee meeting on 22 March, 2018.

The Principal Solicitor (Democratic Services) and Director of Business Services explained that an update on the outcome of the referral would be reported back to the Committee on 24 May 2018. The Director of Business Services highlighted that the referral process was itself being reviewed in advance of the review of the Scheme of Governance and that consideration would be given to improving the process through a report to a forthcoming meeting of the Procedures Committee.

Following consideration, the Committee **agreed** to note the content of the report and appendix.

5. INTERNAL AUDIT REPORTS (PUBLIC)

There was circulated a report dated 6 March, 2018, by the Chief Internal Auditor, which advised members of internal audit reports which were being presented to the Audit Committee at this meeting. Appendices to the report gave a summary of progress made by Services in completing agreed recommendations and an explanation of the gradings used.

Members discussed Internal Audit Reports on Car Parks Income; Health and Safety – the Scottish Schools Education Research Centre; Recycling; and Secondary Schools.

Following discussion, the Committee **agreed**:-

- (1) to acknowledge the content of the report and its appendices,
- (2) that, in respect of the Health and Safety – Scottish Schools Education Research Centre Internal Audit report that the Director of Education and Children's Services provide a briefing note to the Committee on the use of radioactive materials as part of the curriculum in secondary schools, and
- (3) that in respect of the Internal Audit report on Secondary Schools that a report be submitted to the meeting of the Education and Children's Services Committee on 17 May, 2018 asking that the Committee conduct a Committee Review Process in respect of this matter.

6. INTERNAL AUDIT PLAN 2018 /2019

There was circulated a report dated 6 March, 2018, by the Chief Internal Auditor on the Internal Audit Plan 2018 / 19.

The report reminded members that one of the functions of the Audit Committee was to review the activities of the Internal Audit function, including, its annual work programme. The report therefore presented the Internal Audit Plan for the period April 2018 to March 2019, which was included as an appendix to the report.

The Committee **agreed** to acknowledge the detail within the report and thereafter to **approve** the 2018 / 2019 Internal Audit Plan.

7. PUBLIC PRIVATE PARTNERSHIP PROJECTS

There was circulated a report by the Director of Business Services on Public Private Partnership Projects.

The report reminded members that Public Private Partnership (PPP) was a term used to refer to a wide range of Public Private collaborations and included several business structures and partnership arrangements such as outsourcing, leasing, joint ventures, Public Finance Initiative (PFI), Non-Profit Distributing (NPD) and Hub - Design Build Finance Maintain (Hub DBDM). The report highlighted that Aberdeenshire currently had two PFI contracts and one Hub DBFM.

The report went on to outline the two PFI contracts which Aberdeenshire currently had and the one Hub DBFM contract.

Thereafter, the Committee **agreed** to note the detail within the report and that the Director of Business Services provide further updates to a future meeting on the review of Best Value in this respect, which would be undertaken at the end of the current financial year.

8. EXTERNAL AUDIT – ANNUAL AUDIT PLAN – 2017 / 18 AUDIT

There was circulated a report dated 8 March, 2018, by the Director of Business Services which presented the External Auditor's Audit Plan for the Audit of 2017 / 2018 financial year to the Committee.

Ms G Woolman and Ms A MacDonald, Audit Scotland, were in attendance and presented the report to the Committee, and answered questions thereafter.

It was explained as background that this was the second year of Audit Scotland's five-year audit appointment. The programme of work within the plan was set in accordance with Audit Scotland's Code of Audit Practice and provided for the assurances required to support their opinions on the Council's financial statements and wider scope audit responsibilities.

The Plan was attached as an appendix to the report.

Following the presentation and discussion the Committee **agreed**:-

- (1) to note the report, and
- (2) that External Audit be included as participants in a workshop to be arranged by the Director of Business Services for the Committee, to take place before the next meeting on 24 May, 2018, primarily to refocus the remit and role of the Committee.

9. EXTERNAL AUDIT – OUTSTANDING RECOMMENDATIONS

There was circulated a report dated 8 March, 2018, by the Director of Business Services on External Audit Outstanding Recommendations.

The covering report advised the Committee of progress made by the Council in implementing recommendations agreed as part of the 2016 / 2017 Audit. The recommendations were included within an appendix to the report and the intention was that they would continue to be reported upon to Committee until all actions had been addressed.

The Committee **agreed** to acknowledge the details within the appendix in relation to the External Audit Outstanding Recommendations.

10. AUDIT SCOTLAND – ANNUAL ASSURANCE AND RISKS REPORT ON LOCAL GOVERNMENT

There was circulated a report dated 8 March, 2018, by the Director of Business Services on the Audit Scotland Annual Assurance and Risks report on Local Government.

The report explained that the Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June, 2016. An important principle underpinning the new framework was an integrated approach to auditing and reporting Best Value, in which Best Value was assessed over a five-year audit appointment as part of the annual external audit. At the conclusion of each year's audit, an annual audit report summarising the significant matters arising from the year's audit was published. In local government, these reports were addressed to elected members and the Controller of Audit.

Appendix 1 to the report included the Controller of Audit's first Annual Assurance and Risks report under the new framework. This report was presented to the Committee in order to provide a better understanding of the Best Value audit framework in local government and the key messages arising from the first year of operation.

The Committee **agreed** to acknowledge and note the Annual Assurance and Risks Report on Local Government.

11. INTERNAL AUDIT REPORT (EXEMPT)

There was circulated a report dated 6 March, 2018, by the Chief Internal Auditor which provided members with an update on progress in implementing agreed recommendations resulting from internal audit investigations. Appendices A and B to the report provided information on the progress made by Services in completing agreed Internal Audit recommendations, and Appendix C provided an explanation of the gradings used.

Following discussion, the Committee **agreed** to acknowledge the detail within the report and appendices.

HR MANAGER (HR & OD)

At the conclusion of the meeting, the Committee concurred with the Chair in thanking Mr Paul Matthews, HR Manager (HR & OD) for his contributions to meetings of the Audit Committee and wished him well on his departure from Aberdeenshire Council.