

ABERDEENSHIRE COUNCIL

AUDIT COMMITTEE

WOODHILL HOUSE, ABERDEEN, 24 MAY, 2018

Present: Councillors R Cassie (Chair), A McKelvie (Vice Chair), N Baillie, A Bews, I Davidson (as a substitute for Councillor H Smith), M Ewenson, A Fakley, J Hutchison (as a substitute for Councillor S Leslie), A Kloppert, N Smith (as a substitute for Councillor W Howatson), I Sutherland, I Taylor and B Topping.

Apology: Councillors A Buchan, W Howatson, S Leslie and H Smith.

Officers: Director of Business Services, Head of Service (Finance), Head of Service (HR&OD), Chief Internal Auditor, Acting Legal Service Manager (L Cowie), Business Service Manager (K Davidson), Business Support & Development Manager (E Duncan), Lead Officer Primary Education (A Hendry), and Senior Committee Officer (A Bell).

Also in attendance: Ms Anne MacDonald, 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. No interests were declared.

2A. 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.

2B. 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 15, 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.

Item No
15

Paragraph No of Schedule 7A
1, 8, 12 & 14

3. MINUTE OF MEETING OF THE AUDIT COMMITTEE OF 21 MARCH, 2018

There was circulated, **noted, approved** and thereafter signed by the Chair, the Minute of Meeting of the Audit Committee of 21 March, 2018.

4. PROGRESS WITH ACTIONS FROM PREVIOUS AUDIT COMMITTEE MEETINGS

There was circulated a report dated 12 April, 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 21 March, 2018.

After consideration, the Committee **agreed**:-

- (1) that in respect of the Internal Audit Report on Secondary Schools, request the Education Children's Services Committee to provide the promised briefing note on the use of radioactive materials as soon as possible,
- (2) to note that the Education Children's Services Committee at its meeting on 17 May, 2018 agreed to undertake a committee review process following the referral from the Audit Committee and the outcome report will be brought to the Education Children's Services Committee meeting on 31 August, 2018, and
- (3) to instruct the Director of Business Services to arrange a workshop session for Members following the next Committee meeting to address various range of issues around the Audit Committee work.

5. CODE OF CORPORATE GOVERNANCE

There was circulated a report dated 30 April, 2018, by the Director of Business Services together with a revised draft of the Code of Corporate Governance which set out how Aberdeenshire Council would ensure, and be seen to ensure, proper governance of its affairs. The Committee was asked to (1) to adopt the revised draft Code of Corporate Governance, and (2) note that an annual self-evaluation would be undertaken to demonstrate compliance as part of the assurance process for the Annual Governance Statement..

The Director of Business Services explained that the revised code was in a draft format and Members may incorporate any changes they thought appropriate or necessary. Members discussed training of the scrutiny function and lawful actions, and commented on the participation request process.

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

- (1) to note the revised draft of the Code of Corporate Governance,
- (2) to note that the self-evaluation report will be reviewed on an annual basis, and
- (3) that the final report along with the finalised Code of Corporate Governance be submitted to the Committee meeting in July 2018, after a briefing session had taken place for members of the Committee.

6. INTERNAL AUDIT ANNUAL REPORT AND INTERNAL FINANCIAL CONTROL STATEMENT 2017 /2018

There was circulated a report dated 9 May, 2018, by the Chief Internal Auditor on the Internal Audit Annual Report and Internal Financial Control Statement 2017/18. 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. Appendices to the report detailed the position with audit works carried forward from 2016/17, along with details of the position relating to audits contained in the original Internal Audit Plan for 2017/18.

The Chief Internal Auditor stated that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and system of internal control. He further highlighted that Internal Audit remained organisationally independent with no limitations placed on the scope of its work undertaken during the year and presented Internal Audit performance data for 2017/18 which was broadly comparable to that achieved in the previous year.

Members were also advised that the outcome of the External Quality Assessment of Aberdeenshire Council's Internal Audit arrangements was expected to be reported to the Committee in July.

During discussion, Members raised concerns about the amount of time required to ensure Services' compliance with Internal Audit recommendations and noted that the Director of Business Services would seek to address this matter with other Directors.

After consideration, the Committee **agreed to:-**

- (1) note the Internal Financial Control Statement for 2017/18,
- (2) note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit,
- (3) note that there has been no limitation to the scope of Internal Audit work during 2017/18, and
- (4) note that a draft report had been received from Dundee City Council's Internal Audit Section relating to the required External Quality Assessment and the outcome of that report would be reported to Committee in July, 2018.

7. AUDIT SCOTLAND 'LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2016/17'

There was circulated a report dated on 17 April, 2018 by the Director of Business Services which presented the External Auditor's Financial Overview of Local Government in Scotland for the financial year 2016/17 and sought consideration of (1) the key messages and Audit Scotland's recommendations contained therein, and (2) the use of the scrutiny tool supplied by Audit Scotland to enhance understanding of the Council's financial position.

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

It was explained that Councils were showing signs of increasing financial stress. Funding had reduced while costs and demands on services had increased. It was noted that in response more Councils had developed savings plans and were using reserve to fund services.

Appendices to the report provided Members with a flowchart of measures taken by Councils to close their funding gaps in 2017/18 along with a scrutiny tool for councillors containing examples of questions they might wish to consider, helping them better understand their Council's financial position and to scrutinise financial performance.

During discussion Members made reference to the Local Government Pension Scheme (LGPS) and requested more information on financial efficiency and recent trends for LGPS in Scotland delivered through a briefing note or workshop session.

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

- (1) that the scrutiny tool supplied by Audit Scotland be used to enhance understanding of the Council's financial position; and
- (2) that the Head of Service (Finance) provide a briefing note to Members on financial efficiency and recent trends for LGPS.

8. AUDIT SCOTLAND 'LOCAL GOVERNMENT IN SCOTLAND: PERFORMANCE AND CHALLENGES 2018'

There was circulated a report dated 26 April, 2018, by the Director of Business Services which presented the External Auditor's Annual Report on Challenges and Performance 2018. The report asked the Committee to consider (1) the key messages and recommendations contained within Audit Scotland's report, and (2) the use of the scrutiny tool supplied by Audit Scotland to enhance understanding of the Council's position in response the challenges highlighted by the report.

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

It was explained that the report (1) focused on the wider challenges and issues facing Councils as well as their performance and the impact of reduced financial resources; and (2) brought together key messages from 2016/17 audit activity across the local government sector and provided a rich source of contextual information. Members' attention was directed to the scrutiny checklist for councillors which they might wish to complete as part of their consideration of the report.

During discussion Members highlighted that achieving transformational change was increasingly vital to Council and, with reference to Brexit, requested an update on ongoing work undertaken by the Brexit Team to address their concerns.

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

- (1) that the scrutiny tool supplied by Audit Scotland be used to enhance understanding of the Council's position in response the challenges highlighted by the report;
- (2) to instruct officers to arrange a session for Members on the use of the scrutiny toolkit, at the end of the July meeting of the Committee, and
- (3) that in respect of transformational change of the Council, information from Brexit Team on the Council's strategy to deliver the transformational programmes following Brexit, be circulated to Members' of the Committee for information.

9. AUDIT SCOTLAND 'EARLY LEARNING AND CHILDCARE'

There was circulated a report dated 11 April, 2018, by the Director of Business Services which presented the External Auditor's Report on Early Learning and Childcare (ELC). The report advised that (1) the Scottish Government had implemented an increase in Early Learning and Childcare entitlement from 600 hours (from August, 2014) to 1,140 hours (by August, 2020); (2) Aberdeenshire Council had developed and submitted an "Expansion of Early Learning & Child Care" action plan to the Scottish Government in October, 2017 outlining the initial delivery plan for additional ELC hours together with a detailed cost analysis; and (3) that the Authority continues to engage with stakeholders on the expansion of programme.

During discussion, Members highlighted the uncertainty over the ability of local authorities to implement the expansion programme and expressed their concerns about the timeline and staffing issues.

After consideration, the Committee **agreed** to note the progress to date in Aberdeenshire Council on implementation of Early Learning & Childcare, against the national picture outlined in the Audit Scotland report.

10. NATIONAL SCRUTINY PLAN FOR LOCAL GOVERNMENT 2018/19 LOCAL SCRUTINY PLAN FOR ABERDEENSHIRE COUNCIL – REPORT BY EXTERNAL AUDITOR

There had been circulated a report dated 26 April, 2018, by the Director of Business Services on the National Scrutiny Plan for Local Government 2018/19 prepared by the National Strategic Scrutiny Group which asked the Committee to discuss and comment on the Local Scrutiny Plan for Aberdeenshire Council 2018/19.

Ms A MacDonald, Audit Scotland, explained that all local authorities were obliged to prepare local scrutiny plans setting out planned strategic scrutiny activity to respond to the specific risks identified. All local scrutiny plans would be aggregated annually and published as a National Scrutiny Plan summarising strategic scrutiny activity planned from April to March each year across Scotland's 32 Councils. It was noted that from 2018/19 a new programme of inspections had been introduced to evaluate Councils' progress in improving learning, raising attainment and closing the poverty-related attainment gap.

Following discussion, the Committee **agreed** to note the content of the report.

11. EXTERNAL AUDIT PROGRESS REPORT AS AT 30 APRIL, 2018

There was circulated a report dated 26 April, 2018, by the Director of Business Services which presented the External Auditor's Progress Report on Audit Plan for 2017/18 financial year. Appendices to the report provided an update on progress against the 2017/18 audit plan and provided the Committee with information on Audit Scotland's forward programme of performance audit studies.

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

Following discussion, the Committee **agreed** to note the report.

12. SCRUTINY REFERRAL TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE – GLOW.

With reference to the Minute of Meeting of the Committee of 29 March, 2017 (Item 7), there was circulated a report by the Interim Director of Education and Children's Services, advising that the Education and Children's Services Committee, following the Committee Review Process on Information Technology in Schools and the outcome of the 'Away-Day' event for members of the Committee to incorporate learning through technology, agreed to take no further action, after having received sufficient reassurance and to conclude the matter.

Following discussion, the Committee **agreed**:

- (1) to note the decision of the Education and Children's Services Committee to take no further action having received sufficient reassurance following the 'Away Day' event; and
- (2) not to conduct Stage 1 of the Committee Review Process in respect of this matter.

13. SCRUTINY REFERRAL TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE – PRIMARY SCHOOL PROCUREMENT

With reference to the Minute of Meeting of the Committee on 31 January, 2018 (Item 6), there was circulated a report by the Interim Director of Education and Children's Services, (1) advising that the Education and Children's Services Committee, having considered a Stage 1 scrutiny report at its meeting on 22 March 2018 on issues around systems and processes for procurement within Schools, had confirmed that it was sufficiently reassured by action being taken to address the issues raised in the Internal Audit report; and (2) requesting the Committee to consider whether it wished to conduct Stage 2 (workshop) of the committee review process in respect of the original matter.

The Business Support & Development Manager explained the Stage 1 scrutiny report findings and gave an overview of mechanisms in place to support Primary Schools to comply with Financial and Governance regulations.

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

- (1) note the Stage 1 scrutiny report attached in Appendix 1,
- (2) note the decision of the Education Children's Services Committee to take no further action, having received sufficient reassurance from the Stage 1 Report; and
- (3) defer consideration of whether to conduct Stage 2 (workshop) of the Committee Review Process in respect of the Primary School Procurement process until after the planned primary school audit in quarter 3 of this year's Internal Audit Plan.

14. INTERNAL AUDIT REPORTS (PUBLIC)

There was circulated a report dated 9 May, 2018, by the Chief Internal Auditor, which advised Members of completed audit reports and gave a summary of progress made by Services in implementing agreed recommendations.

Members discussed the planned audit of Out of Authority Placements, Community Centres, Mobile Telephony, Partnerships and Joint Working, Catering Procurement, Leavers' Procedures, Changes in Government Policy, Legislation and Regulations, and progress with implementing recommendations relating to Job Evaluation, Attendance Management,

Disclosure Scotland Checks, Treasury Management, Health and Safety, Home Care Systems and Services, and Day Service Establishment Visits.

Following consideration, the Committee **agreed** to:-

- (1) approve the 2017/18 planned audit of Out of Authority Placements being deferred to 2019/20, and
- (2) note the content of the report and its appendices.

15. INTERNAL AUDIT REPORTS (EXEMPT)

There was circulated and **noted** a report dated 9 May, 2018, by the Chief Internal Auditor which provided Members with an update on progress in implementing agreed recommendations resulting from Internal Audit work as detailed in Appendices A and B to the report. Appendix C provided an explanation on the gradings used and Appendix D contained the register of breaches of financial regulations.