

ABERDEENSHIRE COUNCIL

AUDIT COMMITTEE

WOODHILL HOUSE, ABERDEEN, 5 JULY, 2018

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

Apologies: Councillors A Bews, A Buchan, W Howatson, and B Topping.

Officers: Director of Business Services; Head of Finance; Chief Internal Auditor; Principal Solicitor (Democratic Services); Partnership Manager, Strategic and Development , Aberdeenshire Health & Social Care Partnership); Business Service Manager, Aberdeenshire Health and Social Care Partnership; Business Support & Development Manager, Education & Children's Services; Pay & Reward Manager, HROD; Business and Improvement Manager, Commercial and Procurement; Senior Accountant (A Tennant); Team Leader (HROD), (K Mears); and Committee Officer (J McRobbie).

In attendance: Ms Anne MacDonald, Senior Audit Manager, 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, and
 - (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 Sections 50A (4) and (5) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of Item 12, 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
12

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

3. MINUTE OF MEETING OF THE AUDIT COMMITTEE OF 24 MAY, 2018

The Committee had before them and **approved** as a correct record the Minute of Meeting of 24 May, 2018.

4. PROGRESS WITH ACTIONS FROM PREVIOUS AUDIT COMMITTEE MEETINGS

There had been circulated a report dated 20 May, 2018, by the Director of Business Services, which updated Members on progress made with actions agreed at the previous meetings of the Committee.

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

- (1) noting that Audit Scotland's annual fraud report had just been published, to instruct that this be reported to the next meeting of the Committee for consideration;
- (2) that additional information to be provided via ward pages on the processes for the monitoring and recording of radioactive materials in schools; and
- (3) to note, in all other respects, the report and appendix.

5. CODE OF CORPORATE GOVERNANCE

With reference to the Minute of Meeting of 24 May, 2018, (Item 5), there had been circulated a report dated 26 June, 2018, by the Director of Business Services, requesting Members' consideration of a Code of Corporate Governance, further revised to reflect the comments of External Audit and those made by the Committee at its previous meeting.

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

- (1) to note the revised draft of the Code of Corporate Governance;
- (2) to adopt the revised Code of Corporate Governance as detailed in Appendix 2 to the report; and
- (3) to note that the self- evaluation will be reviewed on an annual basis.

6. INTERNAL AUDIT REPORTS (PUBLIC)

There had been circulated a report dated 25 June, 2018, by the Chief Internal Auditor, which (a) advised Members of completed audit reports in respect of Attendance Management (Report 1818), System Recovery (Report 1823), Joint Equipment Store (Report 1845), and

Home Care and Community Hospital Staff Costs (Report AW1801), and (b) gave a summary of progress made by Services in implementing agreed recommendations.

There was discussion of the timescale and process for system recovery, lone working, Commercial and Procurement Training, the Joint Equipment Store, attendance management, and General Data Protection Regulation (GDPR) training. Members heard from the Partnership Manager and Business Support Manager, Aberdeenshire Health and Social Care Partnership of the ongoing work to respond to Internal Audit comments on the Joint Equipment Store, Inverurie and from the Business and Improvement Manager, Commercial and Procurement of the imminent role out of training for approved officers.

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

- (1) that information be provided to Members on the system update process, noting that this was to be completed by 30 May, 2018;
- (2) that the Joint Equipment Store be pursued as a scrutiny assessment, with Report Stage 1 being submitted to Committee on 1 November, 2018, preceded by site visit for Members;
- (3) that a briefing on current lone working support processes and procedures be provided to Members;
- (4) that an update be provided to the September meeting of Committee on the roll out Commercial and Procurement Services Training;
- (5) that an update on compliance with GDPR training be submitted to the September Committee; and
- (6) to note, in all other respects, the terms of the report.

7. PUBLIC PRIVATE PARTNERSHIP PROJECT – BEST VALUE REVIEW AT THE END OF THE FINANCIAL YEAR

The Committee heard from the Head of Finance of the outstanding action in terms of Public Private Partnership, Finance Initiatives, in terms of assuring Best Value, (a) at this point it would not be prudent to buy out the existing contracts, however this would be kept under review; (b) that the Prudential Code for local authority borrowing meant that such cross-sector initiatives were now less likely to be required; and (c) that the contract costs of the current Hard FM maintenance of properties are acceptable.

After discussion, the Committee **agreed** to note the update provided.

8. UNAUDITED ANNUAL ACCOUNTS 2017/18 FOR ABERDEENSHIRE COUNCIL AND ITS CHARITABLE TRUSTS

There had been circulated a report dated 15 June, 2018, by the Director of Business Services, presenting for consideration the unaudited annual account, 2017/18, for Aberdeenshire Council and its Charitable Trusts.

There was discussion of the legislative requirements in terms of the Integration Joint Board, reflected in the Council's accounts; the Council's role as guarantor for the North East Pension Scheme; and challenges being pursued with the contractor on the current operation of the Hard FM maintenance contract, some amplified by the geography of Aberdeenshire.

The Committee heard from the Head of Finance of the engagement event and workshops scheduled for August, 2018 and **agreed:-**

- (1) to approve the unaudited annual accounts 2017/18 and the Annual Governance Statement;
- (2) to note that an engagement event was planned for 20 August, 2018 and a workshop session on 24 August; and
- (3) that the Audited Accounts would be submitted to the Committee in September, 2018 for detailed consideration.

9. INTERIM REPORT ON THE 2017/18 AUDIT

There had been circulated a report dated 11 June, 2018 by the Senior Audit Manager, Audit Scotland, requesting Members' consideration of her interim report on the 2017/18 audit, setting out, in line with the annual audit plan, the findings from Audit Scotland's annual review of internal financial controls and wider scope responsibilities of Aberdeenshire Council.

Having heard further from the External Auditor of key financial assurances, including revenue management approvals, and the wider scope of Audit Scotland's work, with the completed audit to be reported to Committee at its next meeting, the Committee **agreed:-**

- (1) to note that the action plan will be populated with timescales and lead officers following discussions with External Audit and Services and reported to September Committee; and
- (2) to note in all other respects the terms of the report.

10. EXTERNAL AUDIT – PROGRESS REPORT AT 30 JUNE, 2018

There had been circulated a report dated 11 June, 2018, by the External Auditor, providing, for Members' consideration, an update on progress against the 2017/18 audit plan, and included details of the Accounts Commission's strategy and annual action plan for 2018.

Having heard further from the External Auditor of progress in delivering audit work as approved in the 2017/18 audit plan and action plan, the Committee **agreed** to note the External Audit Progress report as at 30 June, 2018.

11. COUNCILS USE OF ARMS' LENGTH EXTERNAL ORGANISATIONS – PERFORMANCE AUDIT REPORT BY AUDIT SCOTLAND

There had been circulated a report dated 30 May, 2018 by the Director of Business Services, extrapolating from the 2017 Audit Scotland review of Councils Use of Arms' Length Organisations matters relevant to Aberdeenshire Council. The report also referenced the work of the previous Scrutiny and Audit Committee into Alternative Delivery Models as informing Aberdeenshire Council's approach.

Having heard further from the External Auditor of the national work, and the changes in approach required with the change in tax legislation which made it less financially beneficial to use Arms' Length Organisations, the Committee **agreed:-**

- (1) to acknowledge the Audit Scotland report on Councils' Use of Arms' Length External Organisations (ALEOs); and
- (2) to note the recommendations identified for councils and how these may apply now or in future for Aberdeenshire Council.

12. INTERNAL AUDIT REPORTS (EXEMPT)

There was circulated a report dated 19 June, 2018, by the Chief Internal Auditor, updating Members on progress in implementing agreed recommendations resulting from Internal Audit investigations.

Following discussion of the progress on Reports 1720/1616 (Creditors Payments); Payroll Advance Payments (Report 1518); and the CRM system (Report 1729), the Committee **agreed:-**

- (1) that an update on Creditors Payments be circulated to Members;
- (2) to note earlier discussion about recruitment would also be relevant to Payroll Advance Payments;
- (3) to note that action on the CRM system was due to be completed by October, 2018; and
- (4) in all other respects, to acknowledge the detail within the report and appendices.

