

**ABERDEENSHIRE COUNCIL**

**AUDIT COMMITTEE**

**WOODHILL HOUSE, ABERDEEN, 13 DECEMBER, 2018**

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

**Apologies:** A Buchan and S Leslie.

**Officers:** Director of Business Services; Head of Finance; Chief Internal Auditor; Head of Property and Facilities; Legal Services Manager; Business Services Manager, Aberdeenshire Health & Social Care Partnership; Business Support & Development Manager, Education & Children's Services; Risk Manager, HR and OD; Team Manager, Economic Development; Team Manager, Stock Improvement and Maintenance, Housing; Service Transformation Manager, Children, Education and Children's Services; and Senior Committee Officer (N David).

**In attendance:** A 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. Councillor Sutherland declared an interest in Item 5, in relation to the Internal Audit Report on the European Agricultural Fund for Rural Development Income on the basis of his manager role with the Peterhead BID. 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. Councillor Baillie declared an interest in Item 11, in relation to having previously been a member of North East Advocacy. 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.

**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 15, so as to avoid disclosure of exempt information of the classes described in paragraphs 1, 8, 12 and 14 of Part 1 of Schedule 7A of the Act.

### 3. MINUTE OF MEETING OF THE AUDIT COMMITTEE OF 1 NOVEMBER, 2018

The Committee had before them and **approved** as a correct record the Minute of Meeting of 1 November, 2018.

### 4. PROGRESS WITH ACTIONS FROM PREVIOUS COMMITTEE MEETINGS

There was circulated a report dated 12 November, 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 1 November, 2018.

The Committee were advised that the Joint Equipment Store item was now completed and could be removed from the Progress Report. Similarly, Internal Audit Report 1844, Estate Rationalisation, was completed and could be removed.

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

### 5. INTERNAL AUDIT REPORTS (PUBLIC)

There was circulated a report dated 27 November, 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.

The Chief Internal Auditor introduced each of the completed audits, and Members heard from officers from the relevant Services and discussed the issues raised.

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

- (1) to acknowledge the content of the report and its appendices;
- (2) that in respect of Housing Tendering Procedures (1810), that a development session on aspects of procurement, tendering and subsequent contract management and monitoring, be arranged by the Director of Business Services for the Committee;
- (3) that in respect of the Hard FM Contract (1849), that a report be submitted to the next meeting providing detail on the information in respect of Hard FM provided to both the Business Services Committee and the Communities Committee, and the level of scrutiny applied by those committees in considering this information; in order to allow the Audit Committee to consider whether to request either of those committees to conduct a Committee Review Process on this matter;
- (4) that in respect of Disclosure Scotland Checks (1702), that the Director of Business Services arrange for a briefing note to be placed on Ward Pages, and thereafter the Committee decide whether a development session on this matter should be arranged;
- (5) that in respect of Councillors' Induction (1834), to request that the Director of Business Services provide a verbal update to the next meeting of the Committee; and

- (6) that in respect of Health and Safety (SSERC) – Radioactive Leak Testing in Secondary Schools (1816), to request that the Director of Education and Children’s Services provide evidence to the Committee that this has indeed been completed.

## 6. INTERNAL AUDIT PROGRESS WITH 2018/19 AUDIT PLAN

There had been circulated a report dated 27 November, 2018, by the Chief Internal Auditor on the Internal Audit progress with the 2018/19 Audit Plan.

The report advised the Committee of Internal Audit’s progress during the current year. An appendix to the report detailed audits carried forward from 2017/18 and the current position with regard to these. A further appendix detailed the position relating to audits contained in the 2018/19 plan.

The report highlighted that all but one of the residual 2017/18 audits had either been completed or a draft report was with the appropriate Service for consultation. Progress with the 2018/19 planned work was behind that achieved at the same point in 2017/18. The report explained that progress had been hampered by a larger number of previous and current year draft reports taking longer to clear through the consultation process. In addition, the Internal Audit Team had been operating at less than full establishment during the year to date due to higher than usual sickness absence, whilst three assistant auditors had resigned during the year to date.

The Committee **agreed** to acknowledge the position.

## 7. INTERNAL AUDIT CHARTER

There had been circulated a report dated 27 November, 2018, by the Chief Internal Auditor Services on the Internal Audit Charter.

The report explained that the current Internal Audit Charter was approved by the Committee on 21 June, 2017. There was a requirement that the Charter be reviewed every 12 months to ensure it was still appropriate. A review was completed by the Chief Internal Auditor, and the Charter was considered to still be relevant. However, following the External Quality Assessment of Internal Audit arrangements in the Council, reported to the Audit Committee in September 2018, some amendments to terminology were deemed necessary. The Charter containing these amendments was included as an appendix.

The Committee **agreed** to approve the Internal Audit Charter.

## 8. FORWARD PLANNING – REPORT TIMETABLE 2019/20

There had been circulated a report dated 14 November, 2018, by the Director of Business Services on the Forward Planning Timetable 2019/20.

The report explained that the Audit Committee had a range of delegations relating to External Audit financial management and Internal Audit matters along with the remit to review the adequacy of, for example, policies and practice that ensure compliance with statute, directions and guidance, risk management and financial information presented to the Council. The proposed forward plan was included as an appendix to the report.

The Committee **agreed**:-

- (1) to confirm the proposed reporting timetable for 2019/20; and
- (2) that that regular updates to the timetable be submitted to Committee.

## 9. RISK MANAGEMENT REVIEW

There had been circulated a report dated 19 November, 2018, by the Director of Business Services on the Risk Management Review Quarterly report to 30 September 2018.

The report explained that the Council's Risk Management Policy and procedures required the Risk Manager to report to the Audit Committee on an annual basis. To ensure consistency in reporting a Risk Management Review was prepared on a quarterly basis. The latest review, covering the period from July to September 2018 was included as an appendix.

The Committee **agreed**:-

- (1) to note the detail within the Risk Management Quarterly Report; and
- (2) that a further report be submitted to the Committee in December 2019 and that quarterly updates continue to be made available to the Committee on Ward Pages.

## 10. AUDIT SCOTLAND – COMMUNITY PLANNING: AN UPDATE IMPACT REPORT

There had been circulated a report dated 15 November, 2018, by the Director of Business Services on the Community Planning Update Impact report which was published by Audit Scotland in September 2018 and summarised the impact made since the publication of the Audit Scotland/Accounts Commission report, Community Planning: An Update, published in March 2016.

The External Auditor outlined the national developments since March 2016 and progress made on the 2016 actions.

The Committee **agreed** to acknowledge the impact that had resulted from the recommendations made by Audit Scotland in the Community Planning: An Update report published in March 2016.

## 11. AUDIT SCOTLAND – CHILDREN AND YOUNG PEOPLE'S MENTAL HEALTH

There had been circulated a report dated 9 October, 2018, by the Director of Business Services on the Audit Scotland programme of national performance audits carried out on behalf of the Accounts Commission and Auditor General for Scotland which were published in a report in September 2018.

The External Auditor explained that the report made a number of recommendations for the Scottish Government, CoSLA, NHS Boards, councils, integration boards and partners to work together. The Service Transformation Manager (Children) provided information on children and young people's mental health and wellbeing in Aberdeenshire.

The Committee **agreed**:-

- (1) to note the progress to date, regarding children and young people's mental health against the national picture, as outlined in the report; and
- (2) that the Director of Business Services provide a copy of the report to the Chief Officer, Aberdeenshire Health and Social Care Partnership and Director of Education and Children's Services.

## **12. AUDIT SCOTLAND – SUPERFAST BROADBAND FOR SCOTLAND: FURTHER PROGRESS UPDATE**

There had been circulated a report dated 19 November, 2018, by the Director of Business Services which provided a briefing to the Committee on Audit Scotland's report entitled Superfast Broadband for Scotland: Further Progress Update, which was published in September 2018.

The External Auditor explained that the report detailed progress on a national basis and did not focus on Aberdeenshire. The report therefore updated the Committee on the installation of superfast broadband in Aberdeenshire against the national picture.

The Committee **agreed** to note:-

- (1) the publication of the national performance report by Audit Scotland on Superfast Broadband for Scotland; and
- (2) the progress with superfast broadband in Aberdeenshire.

## **13. AUDIT SCOTLAND – AUDIT QUALITY ANNUAL REPORT 2017/18**

There had been circulated a report dated 15 November, 2018, by the Director of Business Services on the Audit Scotland Audit Quality Annual Report 2017/18.

Having heard the External Auditor explain that Audit Scotland had introduced a new Audit Quality Framework in December 2017, which included working arrangements that went beyond regulatory requirements and provided assurance over all audit work and providers within its responsibility, the Committee **agreed** to note the report.

## **14. AUDIT SCOTLAND – WITHDRAWAL FROM THE EU: KEY AUDIT ISSUES**

There had been circulated a report dated 15 November, 2018 by the Director of Business Services on the Audit Scotland briefing paper on the key audit issues in respect of withdrawal from the EU.

Having heard further from the External Auditor on the position which Audit Scotland had been developing since the start of 2018 to reflect the approach of the Auditor General and Accounts Commission, the Committee **agreed**:-

- (1) to note the position and future audit plans; and
- (2) that the Director of Business Services provide a briefing note on withdrawal from the EU to Group Leaders at an appropriate point in 2019.

## **15. INTERNAL AUDIT REPORTS (EXEMPT)**

There was circulated a report dated 27 November, 2018, by the Chief Internal Auditor which provided members with an update on progress in implementing agreed recommendations resulting from internal audit reports. 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.

The Committee **agreed**:-

- (1) to acknowledge the detail within the report and appendices; and
- (2) that a workshop on Corporate Fraud matters be arranged by the Director of Business Services for the Committee.

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