

ABERDEENSHIRE COUNCIL

AUDIT COMMITTEE

SKYPE MEETING, 4 FEBRUARY, 2021

Present: Councillors R Cassie (Chair), A McKelvie (Vice-Chair), N Baillie, S Calder, M Ewenson, W Howatson, A Kloppert, S Leslie, D Lonchay, M Roy, H Smith, and I Sutherland.

Apologies: Councillors Bews and A Buchan.

Officers: Director of Business Services; Chief Internal Auditor (Interim); Head of Finance; Head of Legal & People; Head of Commercial & Procurement; Business Strategy Manager (F McCallum); Business Change Manager (D Redford); Acting Head of Finance; Acting Legal Services Manager (Governance) (R O'Hare); Corporate Finance Manager; Risk & Resilience Manager; Fleet Manager, Transportation; IT Manager; Project Manager, Roads, Landscape Services, and Waste; Engineering Services Manager; Revenues Manager, Finance; Business Support & Performance Manager, Education & Children's Services; and Committee Officer (J McRobbie).

In attendance: Anne MacDonald, Senior Audit Manager, Audit Scotland; and Alan Sharp, Chief Finance Officer, Aberdeenshire Health & Social Care Partnership.

1. DECLARATION OF MEMBERS' INTERESTS

The Chair asked for Declarations of Interest. No interests were declared.

2. RESOLUTIONS: 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:-

- (1) to have due regard to the need to:-
 - (a) eliminate discrimination, harassment, and victimisation;
 - (b) advance equality and 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) to consider, where an equality impact assessment has been provided, its contents and to take those into consideration when reaching a decision.

3. MINUTE OF MEETING OF AUDIT COMMITTEE OF 10 DECEMBER, 2020

There had been circulated, and was **approved** as a correct record, the Minute of Meeting of 10 December, 2020.

4. PROGRESS WITH ACTIONS FROM PREVIOUS AUDIT COMMITTEE MEETINGS

There had been circulated a report dated 27 January, 2021, by the Director of Business Services outlining progress with actions agreed at recent meetings of the Committee, and detailing items of business which should have been considered by the Committee in normal circumstances but had been delayed due to the Covid-19 pandemic.

Having heard from the Director of the detail of the updates, the Committee **agreed** to note for their interest the report.

5. INTERNAL AUDIT REPORTS

There had been circulated a report dated 20 January, 2021, by the Chief Internal Auditor (Interim), (1) advising of the conclusion of audits into (a) Integration Joint Board (IJB) Service Standards – Report No. 2022, November, 2020; (b) Integration Joint Board (IJB) Partnership Governance – Report No. 2032, November, 2020; (c) , Procurement of Computer Hardware and Software - Report No. 2033, January, 2021; (d) Stonehaven Flood Prevention Scheme – Report No. 2102, November, 2020; (e) Bank Reconciliations – Report No. 2115, December, 2020; (f) Vehicle Usage – Report No. 2108, January, 2021; (h) Energy Management – Report No. 2111, January, 2021; and (i) Council Tax – Report No. 2113, January, 2021; and (2) providing updates on the implementation of previously agreed recommendations.

The Committee heard further from the Interim Chief Internal Auditor that 59 new recommendations had been added to the 81 reported as outstanding in December, 2020, at the time of the writing of the report, with three subsequently confirmed as concluded. Mr Harvey spoke of the unwieldiness of the appendix, given the number of repeated alterations, and of the intent to bring for Committee consideration, at its next meeting, a reviewed presentation method.

In respect of Audit No. 2022, Integration Joint Board (IJB) Service Standards, the Committee were advised that the matter had already been considered at the Integration Joint Board's own Audit Committee, and heard further from the Chief Finance Officer, (Health & Social Care Partnership), of the reassurance which the IJB Audit Committee had in meeting the report's recommendations, including the key focus on the social work clinical governance.

There was discussion as to the impact of availability of annual or sixth-monthly, national statistics, reflected in quarterly reporting; how the national review of Adult Social Care, published that day, with 53 distinct recommendations, might be progressed by the Integration Joint Board; the delay in reflecting governance and accountability lines in the risk register, and the daily oversight groups which were in place, particularly in this time of pandemic, to ensure all due processes were followed, informed by bottom up details of patient care, the expansion of the Datix risk reporting system to cover both health and social care services; and the

multiplicity of data from a variety of sources which was both helpful, and sometimes difficult to manage.

In considering Report No. 2032 – Integration Joint Board Partnership Governance, the Committee heard from the Chief Internal Auditor (Interim) that this had also been considered by the Integration Joint Board Audit Committee, and that some of the outstanding planned actions from a previous review were not completely monitored but would require to be reconsidered, in partnership, given recent changes to Health & Social Care.

The Committee heard from the Partnership's Chief Finance Officer that, operating on a footing of emergency response to the Covid-19 pandemic since March, 2020, progress had stalled compared to what would otherwise have been expected.

There was discussion of the areas which remained to be addressed, including the support of and the dependency on third and independent sector partners in service delivery; the Health & Social Care's approach to engaging and involving the other agencies and sectors, including a report which had been considered at the Joint Board's meeting on 3 March, 2020; the financial position of the Partnership, with there being no expected requirement to ask the Council or NHS partners for additional funding in the current financial year, as had been the case in the previous two years; and the reconsideration of operational processes with the remobilisation post Covid, with the necessary involvement of third and independent sectors.

In respect of Procurement of Computer Hardware and Software, Report No. 2033, January, 2021, the Committee heard from the Chief Internal Auditor, (Interim), that the recording of delegated procurement had not always been kept up to date by individual services, with an amended asset management approach and clarification of the instructions issued to services agreed.

The IT Manager confirmed a letter had been sent to all services, clarifying the process and there was discussion of the maintenance support impact for devices on loan to school pupils, and how that differed depending on the source of the equipment, if privately gifted or purchased by the Council through Connective Scotland funding; the ongoing consideration of the "Value for Money" of recent initiatives; equipment selection being determined by the service, not IT, and to support their needs; the process of asset management in terms of Council funded equipment, with items over £100 often coming pre-registered; the need to define "office equipment" for any inventory and be pragmatic on the definitions of "portable and desirable"; and current tracking of mobile phones, in terms of security of information rather than the tracking on the basis of cost of equipment.

In respect Report 2102, Stonehaven Flood Prevention Scheme, (November, 2020), the Committee heard of the current split in presentation and approval of project funding between any specific project costs, and that other pre-contract costs which were approved separately through a different route. There was discussion of the Council's current exposure to third party compensation, handled through the independence of the District Valuer, and the current level of claims against the allowance in the financial register; the capping process applied to mitigate potential risk in contract costs, with unforeseen charges to be approved, if required, within the governance channels as appropriate; and the recent review of levels of delegated authority.

In respect of Bank Reconciliations, Report No. 2115, December, 2020, there was discussion of the improvements which could be put in place re Joint work service and finance, with 19 different bank accounts for revenues, and very strict procedures to be followed, with a three-stage process of automatic rejection, bank statement/ file and system reconciled to the Council's ledgers.

In respect of Report No. 2108, Vehicle Usage, (January, 2021), there was discussion of the welcome needs based allocation; the use of telematics to better predict and prepare for replacement, as opposed to purely age based assessments; whether the Traffic commissioner had recently had cause to be involved in the fleet; what the daily vehicle check did, and did not, cover, and how long it might be expected to take to complete the check, recorded for HGVs in their tachographs and overseen in gate checks and start checks by compliance officers for smaller vehicles; the increasing options for electric vehicles with the growth of the commercial vehicle market, with heavy good options still some time away; the trialling of hydrogen vehicles, and the need for appropriate infrastructure to be in place to support different vehicle types, which would be included in a report to the Infrastructure Services Committee in May, 2021; and the awareness of accessibility issues in the choosing of suitable vehicles.

In respect of Energy Management, Report No. 2111, January, 2021, the Committee heard from the Chief Internal Auditor, (Interim) of the extensive checks already in place, but with limited capacity in the service to investigate other options or off-contract spend.

There was discussion of the choices which could be provided for in the contracts and whether these had an impact on the ability to move to carbon neutrality; the constant review of procuring under the required contract under Scotland Excel; the obligation for suppliers to use a proportion of green energy across all their provision nationally; the recent resolution of staffing constraints with the expected appointment to two vacant posts anticipated in early course; the checking of previous costs with current bills to investigate if required, any significant variation or trend, and the anomalies created by great operational changes in 2020/21 relating to the pandemic.

In respect of Council Tax, Report No.2113, January, 2021, there was discussion of frequency of exercises to checking claims in terms of the income recovered; the potential to outsource various elements of similar validations; the impact on staffing resources in planned work of diversion to support unplanned, Covid-19 related work; arrangements in place to consider deferral or delaying of payments relating to loss of income arising from job loss or loss of income in the pandemic; ongoing work with customers who were experiencing difficulties, including delays to the debt recovery process, delaying double charging for those stuck between two houses by lockdown restrictions, and sign posting to sources of assistance; categories of the write off of debts, including bankruptcy and sequestration in addition to deaths with no estate; the timescale within which any summary warrant process could be applied;

The Committee heard from the Chief Internal Auditor (Interim) of a proposed new approach to the reporting on outstanding issues, to make navigation of the multiple issues easier, and there was discussion of the challenges in accessing service responses without undue additional pressure on the Internal Audit Team.

In respect of Item 1743, Deployment of Microsoft Technology, the Director of Business Services reported that the action had been completed to the required timescale, but that the service had not advised the Internal Audit Team timeously.

In respect of Item 1914, GDPR in Education & Children's Services, the Committee heard from Business Support & Performance Manager, Education & Children's Services that the action, although now completed, had not been signed off with Internal Audit before the report had been issued. It was reported that two similar recommendations had been due at the same time and this had led to some confusion.

In respect of Item 2034, Licensing Income, the Committee heard from the Acting Legal Services Manager (Governance) that items 2.2.2 and 2.2b had now been completed, with the Council's performance management system, Pentana, updated to reflect progress but not shared with Internal Audit as was required. In respect of 2.3.2a, it was reported that additional information had been requested by, and provided to, Internal Audit by the Service.

In respect of Item 2037, Procurement Compliance 2.7.7b, the Chief Internal Auditor advised Members that there had been an error in reporting this as outstanding, as the works had been completed and the Internal Audit Team advised timeously.

There was discussion of the multiple recommendations due for completion in February and March, 2021, with the expectation that the number of outstanding recommendations would reduce significantly; of the progress on the overview of the Charging Policy, scheduled to be reported to Council in March, 2021; ongoing progress in respect of Workforce Planning, on which a six-monthly update report was to be submitted to the March, 2021 meeting of the Committee; the continuing impact of Covid-19 related requirements on scheduled work; the joint consideration, by Finance and Legal & People, to agree a workable definition of "consultancy" to complement upcoming changes to Financial Regulations in the Council's Scheme of Governance; and the results of recent surveys of both staff and Members regarding their experiences of working from home which would be taken into account in discussions of Office Space Strategy.

The Committee **agreed**, having considered and discussed the issues raised in the report and its appendices:-

- (1) to be assured in respect of Report No. 2022, Integration Joint Board (IJB) Service Standards;
- (2) in respect of Report No. 2032, Integration Joint Board (IJB) Partnership Governance, noting the Scottish Government Review of Health and Social Care, received 3 February, 2021, to be assured, and request the recent report on third party involvement and engagement be shared with the Committee;
- (3) in respect of Report No. 2033, Procurement of Computer Hardware and Software (2033), to be assured;
- (4) in respect of Report No. 2102, Stonehaven Flood Protection Scheme, to be assured;

- (5) in respect of Report No. 2115, Bank Reconciliations, to be assured;
- (6) in respect of Report No. 2018, Vehicle Usage, to be assured;
- (7) in respect of Report No. 2111, Energy Management Review, to be assured;
- (8) in respect of Report No. 2113, Council Tax, to be assured:
- (9) to welcome the proposed revised presentation of outstanding reports, to be submitted to the next meeting of the Committee;
- (10) to be assured on outstanding items (a) 1743 - Deployment of Microsoft Technology, (b) Item 1914 – GDPR in Education and Children’s Services, and (c) Item 2034 – Licensing Income, noting for this that further information on 2.3.2a had been requested and provided by service to Internal Audit;
- (11) to note that item 2037 Procurement Compliance 2.7.7b had erroneously been reported as outstanding;
- (12) to note the ongoing discussions on the definition of “consultancy” to complement upcoming changes to the Financial Regulations; and
- (13) that information provided to the Office Strategy Working Group on the Member response to the survey on remote working be shared with the Audit Committee on Ward Pages.

6. HOW GOOD IS OUR GOVERNANCE SELF EVALUATION WORKSHOP – 7 DECEMBER, 2020

There had been circulated a report dated 22 December, 2020 by the Director of Business Services, (a) providing feedback from the How Good is Our Governance Workshop held on 7 December, 2020 and (b) seeking direction on emerging themes and issues identified.

The Committee heard from the Business Strategy Manager of the background to the workshop, set within the context of previously approved Improvement and Action Plans, with some areas of similarity between what was required and work already in progress.

There was discussion of benefits of the actions proposed in the report, as reflective of the future direction of attention on the role of the Audit Committee, its inter-relationship with policy and area committees, and also as an induction resource for new Members.

The Committee **agreed:-**

- (1) to note the themes emerging from the workshop, as detailed in Appendix 1 to the report;
- (2) the Action Plan as detailed in Appendix 1 to the report; and

- (3) that new actions identified in the action plan be considered at agenda items under the standard report, Progress with Actions from Previous Audit Committee Meetings.

7. CORPORATE IMPROVEMENT PLAN 2020/21

There had been circulated a report dated 18 December, 2020 by the Director of Business Services, requesting Members' consideration of the Corporate Improvement Plan.

The Committee heard further from the Business Strategy Manager of the update, extracted from the Council's performance management system, Pentana, and therefore a snapshot in time, and of the merging of some actions, which, with quarterly updates, would engender increased options for scrutiny.

There was discussion of areas where progress from the 2018/19 plan had not yet been completed; and progress reported via Pentana on the impact on local community, due to be completed on 31 January, 2021, but delayed with the area plan template being developed to align community planning priorities with the Council's revised priorities;

The Committee **agreed:-**

- (1) to note the Corporate Improvement Plan as detailed in Appendix 1 to the report;
- (2) to note that the Plan would be reported to the Policy Committees; and
- (3) that updates on progress on the Plan be reported quarterly.

8. RISK MANAGEMENT AND RESILIENCE: PRESENTATION

With reference to the Minute of Meeting of 17 September, 2020, Item 12, the Chair, on behalf of the Committee, welcomed Mhairi McCowan Risk and Resilience Manager, to the meeting which thereafter heard a presentation on Risk Management and Resilience, from its establishment as successor to the Grampian Emergency Planning Unit provision, to its current role in supporting and having oversight of the Council response, directly and in partnership, to the Covid-19 pandemic. Mrs McCowan spoke of the future plans to review the existing Risk Management processes and documentation, benefitting from the Covid lens of reshaping services and identifying changing requirements from the inhabitants and communities of Aberdeenshire and learning from the lessons and experiences of the flexibility and adaptation demonstrated.

There was discussion of the various groups which had oversight of different aspects of risk management in terms of the Council's physical spaces and in more general terms; the volume of work undertaken and ongoing to meet current challenges; the plans to refresh existing processes and procedures; the coordination with neighbouring authorities on trans-Grampian issues and the proposed timeline for reporting risk registers.

The Committee **agreed:-**

- (1) to welcome the updates provided in the presentation and commend the team on its work; and
- (2) that updated risk registers be submitted for consideration in early course.

9. SCRUTINY REFERRAL TO BUSINESS SERVICES COMMITTEE – THE CONTRACT REGISTER

With reference to the Minute of Meeting of 2 July, 2020, (Item 5), there had been circulated a report dated 12 January, 2021 by the Director of Business Services reporting that the Business Services Committee, having progressed the consideration of the Contracts Register to Stage 1 of the Committee Review Process, on referral from this Committee, had determined, at its meeting on 7 January, 2021 that no further action was required, being assured by the information provided at Stage 1 and had also requested six-monthly updates on improvement progress.

Having heard further from the Director and the Head of Commercial and Procurement highlights of the information as considered at the Business Services Committee, there was discussion of staff training, linked to access to procurement system authorisations; and the route for action open to the Business Services Committee should this be required at any future date.

The Committee **agreed:-**

- (1) to note that the Business Services had determined, following consideration of a Stage 1 report, that subject to submission of a six-monthly update report, it had the required assurance in respect of the Contracts Register and had agreed not to instruct a Stage 2 (Workshop); and
- (2) to be assured by the action taken by the Business Services Committee, and not to progress the Committee Review Process to Stage 2.

10. FORWARD PLANNING - REPORT TIMETABLE 2021/22

There had been circulated a report dated 8 January, 2021 by the Director of Business Services, seeking Members' consideration of a proposed forward plan of reporting to the Committee in 2021/22.

Having heard from the Director that additions would be made to the plan as required by new circumstances or the consideration of items such as Risk, and that some of the expected timetables for publication of national Audit Scotland reports would have to be revised due to the impact of Covid-19, and being assured by the Chief Internal Auditor (Acting) of his confidence that there were adequate staffing resources available to progress the scheduled Internal Audit work, the Committee **agreed:-**

- (1) to approve the Forward Plan for 2021/22, as appended to the report; and
- (2) to receive regular updates to the timetable as required.