

ABERDEENSHIRE COUNCIL

AUDIT COMMITTEE

SKYPE MEETING, 20 MAY, 2021

Present: Councillors R Cassie (Chair), A McKelvie (Vice-Chair), N Baillie, S Calder, M Ewenson, A Hassan (as substitute for Councillor Howatson), A Kloppert, S Leslie, M Roy, H Smith and I Sutherland.

Apologies: Councillors A Bews, A Buchan, W Howatson and D Lonchay.

Officers: Director of Business Services, Head of Children's Services, Interim Chief Internal Auditor, Interim Head of Finance, Legal Services Manager (R O'Hare), Human Resources Manager (G Gray), Corporate Finance Manager, Business Strategy Manager, Risk and Resilience Manager, Strategic Policy Lead (L Gravener), Principal Engineer, Roads, Landscape Services & Waste (S McCann), Lead Social Worker (L Flockhart) and Principal Committee Services Officer.

In attendance: Ms A 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.

Councillor Sutherland declared an interest in Items 10 and 11 as the recipient of a business grant and having applied the objective test considered the interest to be remote and insignificant and would remain in the meeting.

2. STATEMENT ON EQUALITIES

In making decisions on the following 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 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.
- (2) where an Equality Impact Assessment was provided, to consider its contents and take those into account when reaching their decision.

3. MINUTE OF MEETING OF AUDIT COMMITTEE OF 25 MARCH, 2021

There had been circulated and was **approved** as a correct record the Minute of Meeting of 25 March, 2021

4. PROGRESS WITH ACTIONS FROM PREVIOUS AUDIT COMMITTEE MEETINGS

There had been circulated a report dated 13 May, 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 and that the items marked as completed should be removed.

5. EQUALITIES PRESENTATION

The Committee received a presentation from the Business Strategy Manager and Strategic Policy Lead on Equalities Principles focusing on the roles and responsibilities of the Engagement and Equalities Team, the key pieces of legislation underpinning the equalities duties and obligations of public bodies, the nine protected characteristics, the duties of Elected Members, the requirement for Equality Impact Assessments to be robust, the roll out of the new Integrated Impact Assessment tool and associated training, consultation on the next set of equality outcomes 2021-2025 and a review of the role of Equalities Champions throughout Services.

Discussion took place on addressing the challenges faced by the Council as part of the phase one engagement on the Community Impact Assessment in advance of phase two being rolled out, the reference to the UN Convention on the Rights of the Child (UNCRC) Incorporation (Scotland) Bill and capturing information in that regard and the reference to Aberdeenshire being affluent and not recognising significant pockets of deprivation.

The Committee thanked Officers for their informative presentation and **agreed**:

- (1) to note action being taken to engage with harder to reach groups and individuals within communities and provide additional access opportunities to respond to the Phase 2 Community Impact Assessment survey including arrangements for paper based responses and addressing language barriers;
- (2) to note training on the new Integrated Impact Assessment (IIA) reporting would address appropriate use of language in respect of Aberdeenshire being referred to as an affluent area and not recognising significant pockets of deprivation; and
- (3) to note that the UNCRC was no longer a Bill and agreed that a briefing note be provided to Members to confirm that the UNCRC information was being captured now and not awaiting the roll out of the IIA tool.

6. INTERNAL AUDIT REPORTS

There had been circulated a report dated 4 May, 2021 by the Interim Chief Internal Auditor (1) advising of the conclusion of audits into (a) Integration Joint Board (IJB) Data Protection (Internal Audit Report 2005 – March 2021), (b) Out of Authority Placements (Internal Audit Report 2043 – April 2021), (c) Early Retirement, Voluntary Severance and Redundancy Payments (Internal Audit Report 2104 – March 2021), (d) Asset Register (Internal Audit Report 2106 – March 2021), and (e) Adult Support & Protection (Internal Audit Report 2114 – March 2021), and (2) providing updates on the implementation of agreed recommendations.

In respect of Audit No. 2005, IJB Data Protection, the Interim Chief Internal Auditor confirmed that the audit recommendations had been considered by the IJB Audit Committee, that the audit had taken longer than planned due to a number of factors, that individual partners ultimately bore responsibility for the data that they handle and the recommendation for more integrated processes for data sharing had been accepted and was being taken forward jointly by the relevant partner organisations.

In respect of Audit No. 2043, Out of Authority Placements, the Interim Chief Internal Auditor advised that not all planned improvements in this area had been progressed and recommendations had been made to improve tracking of progress and further evidence to support decision making and review processes when placements occur or have been in place for some time.

The Committee also heard from the Head of Children's Services who welcomed the findings of the audit which had enabled the Service to look at current processes and identify improvements, highlighted the impact of the pandemic on children in care and the consequent delay in returning children to their communities which had put a significant strain on those children and on the budget and made reference to additional funding received from the Scottish Government to meet the cost of delayed discharges. She explained that the budget pressure referenced in the report had reduced to 4% as opposed to 9% and stated that the Service was now on track to meet each and every recommendation and targeted timescale of June, 2021 for delivery.

Discussion took place on the delay in implementing the original recommendations from the 2018 audit prior to the pandemic, the extent and availability of service provision within the authority area, cost assessments and exit plans in place in advance of placements, the process for setting realistic budget requirements for delivery of this service and revisiting options for developing and delivering specialist support not currently available within Aberdeenshire.

In respect of Audit No. 2104, Early Retirement, Voluntary Severance and Redundancy Payments, the Interim Chief Internal Auditor explained that this audit pre dated the ongoing voluntary severance exercise and that the recommended updates to procedures and supporting documentation had been largely progressed during the current exercise. A breach of financial regulations had been identified as a result of a failure to put purchase orders in place and this was also now being addressed.

The Human Resources Manager welcomed the audit which she advised had provided an opportunity to put new processes in place and have a more integrated

and joined up approach with the North East Scotland Pensions Fund (NESPF) and the Finance Service and the Service was working through and towards achieving all recommendations in the audit.

Officers then responded to Members questions on settlement agreements and longer payback periods, purchase order procedures, improvements in process and transparency around the way information was held, maintaining records of early exit costs, clarity around agreed budget savings being achieved and concerns expressed that posts were not being removed but being filled at a lower pay grade.

In respect of Audit No. 2106, Asset Register, the Interim Chief Internal Auditor advised that assets were generally being recorded as required and the Service would be updating internal guidance to further promote consistency. In terms of the depreciation policy not being fully detailed in the annual accounts, the Service had agreed to clarify this in the 2020/21 accounts.

The Interim Head of Finance responded to Members questions on comments made by External Audit on valuations, the lack of response from one Service and the absence of supporting documentation/explanation in terms of charges to services and equipment not included previously.

In respect of Audit No. 2114, Adult Support & Protection, the Interim Chief Internal Auditor advised that there had been some issues with evidence of compliance with procedures generally identified as a recording issue which the Service was seeking to address by updating guidance, carrying out additional reviews and undertaking more progress monitoring to ensure cases were going through all the correct stages.

The Lead Social Worker advised that despite an increase in referrals over the pandemic period the audit report confirmed that the Service was continuing to keep people safe. It was acknowledged that there had been occasions not just over the pandemic when paperwork had not been completed fully within agreed timescales and it was important that the reasons for this were appropriately recorded. Work was ongoing to monitor and support implementation of the recommendations. She then responded to questions from Members on chronology, the use of Carefirst technology for recording cases and the protocol for providing appropriate access to documentation for multi-agency staff.

Thereafter, the Committee **agreed**:

- (1) Out of Authority Placements (2043 – April 2021) – to be assured and to welcome the offer by Education and Children’s Services to look at revisiting options for developing and delivering specialist support not currently available within Aberdeenshire;
- (2) Early Retirement, Voluntary Service and Redundancy Payments (2104 – March 2021) – to be assured;
- (3) Adult Support and Protection (2114 – March 2021) – to be assured;
- (4) Asset Register (2106 – March 2021) – to be assured; and
- (5) to note, in all other respects, the terms of the report.

7. INTERNAL AUDIT RECOMMENDATIONS

There had been circulated a report dated 5 May, 2021 by the Interim Chief Internal Auditor on progress by Services with completing agreed Internal Audit recommendations. The report (1) provided a summary of progress and detail in respect of actions graded as Major, actions graded as Significant which were over 12 months overdue and all actions for which updates had not yet been provided by responsible officers, as detailed in Appendix A, (2) explained that there were currently 11 overdue actions graded as Major, 17 Significant and over 12 months overdue and 2 where discussion of progress with the Service had not concluded at the time of writing the report. A total of 72 actions remained overdue, (3) advised that since the last meeting of the Committee 55 recommendations had been implemented demonstrating continuing progress, (4) advised that Services have been asked to review their longer term overdue actions to consider whether the actions agreed in respect of the risks originally identified during the audit process remained appropriate, and (5) set out at Appendix B proposals to conclude audit actions.

The Interim Chief Internal Auditor introduced the report and responded to Members questions on current due dates and action being taken to complete those recommended actions; risks associated with 1633 Cash Receipting System relating to the delayed update for face to face chip and pin transactions and the need to ensure any such risks were added to the risk register; and service level workforce plans and efficiency savings being achieved.

Thereafter, the Committee **agreed**:

- (1) to note the issues raised within the report and the attached appendices; and
- (2) the proposal to close the action included in Appendix B (1633 Cash Receipting System) and that a briefing note in this respect be provided to Members explaining how the Service had arrived at this position and the risks involved which should also be added to the risk register.

8. SIGN SHOP – INFORMATION ON PRICING STRUCTURE

With reference to the Minute of Meeting of the Committee of 17 September, 2020 (Item 6), there had been circulated a report dated 5 May, 2021 by the Director of Infrastructure on the Sign Shop pricing structure for external works. The report advised (1) that the corporate charging framework required regular review of charges, every three years in line with a timetable set in the Framework, and where possible that full cost recovery should be achieved on any income, (2) that the costs of sign manufacture had changed with variations regularly applied to the external charge-out rate and it was not possible to demonstrate full cost recovery on a per job basis, (3) that the cost of each sign was determined by adding labour, overhead and material costs together with a percentage uplift applied for full recovery costs and a rate of return to be achieved, (4) the current volume of work based on internal and external customers and percentage rate of return, and (5) of the current arrangements for the pricing of works.

At this stage in the proceedings, the Committee **agreed** to suspend Standing Order 2.1.2 to allow the meeting to continue beyond 1pm.

The Principal Roads Engineer introduced the report and responded to Members questions on the rate of return for internal and external customers, stronger links with other Local Authorities and collaborative working practices, appropriate adherence to procedures and the commercial nature of the work.

Thereafter, the Committee **acknowledged** the simplified pricing structure as outlined in the report.

9. INTERNAL AUDIT ANNUAL REPORT 2020/21

There had been circulated a report dated 4 May, 2021 by the Interim Chief Internal Auditor requesting consideration of the Internal Audit Annual report for 2020/21. Appendix A detailed the position with audits that had been carried forward from 2019/20 and Appendix B detailed the position relating to audits contained in the original 2020/21 plan. The report advised (1) that the majority of audits carried forward from 2019/20 had been completed, (2) that the original plan for 2020/21 had been based on the Internal Audit Section being fully staffed during the year but resources had been constrained due to the direct and indirect impacts of Covid 19 on team absences, vacancies and the retirement of the former Chief Internal Auditor, (3) that there had been a decrease in the number of audits completed and therefore a decrease in the number of recommendations made in 2020/21 (255) in comparison with 2019/20 (444), (5) that a new approach was being implemented for 2021/22 which was anticipated to improve efficiency and allow the Audit Committee and Services to focus on higher risk actions, and (6) that the annual Internal Audit report for 2020/21 attached as Appendix C concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control in the year to 31 March, 2021.

The Interim Chief Internal Auditor introduced the report and responded to Members questions on progress with filling vacancies within the Internal Audit Service, the number of audits completed and recommendations accepted and difficulties experienced by Services in achieving completion dates.

The Committee **agreed**:

- (1) to acknowledge the Internal Audit Annual Report 2020/21;
- (2) to note that the Chief Internal Auditor had confirmed the organisational independence of Internal Audit;
- (3) to note that there had been no limitation to the scope of Internal Audit work during 2020/21; and
- (4) to note the outcome of Internal Audit's self-assessment against the requirements of the Public Sector Internal Audit Standards.

10. INTERNAL AUDIT - FRAUD INVESTIGATIONS

There was circulated a report dated 30 April, 2021 by the Interim Chief Internal Auditor on fraud investigation work carried out by Internal Audit during 2020/21. The report explained (1) the Council's Counter Fraud Strategy (2020) including the definition of fraud contained therein, the types and risks of fraud offences, the

strategic aims of the Strategy and the relevant provisions of the Council's Financial Regulations for dealing with such matters, (2) that fraud risks had been identified during the year largely as a result of due diligence undertaken by Services and Internal Audit in respect of Covid Business grants facilitated by the Council on behalf of the Scottish Government, (3) the value of grants available, eligibility criteria applied and procedures for administering grants, (4) that where potential fraud has been identified, a member of the Internal Audit team had been tasked with prioritising, investigating and sharing findings with the relevant authorities, and (5) that as a result of this work, 31 allegations of fraud had been investigated, that fraud to the value of £156,300 had been avoided and investigations were continuing on potential fraud to the value of £269,000.

The Interim Chief Internal Auditor introduced the report and responded to Members questions on preventative activities, the recovery process and the resource implications of this work for the Internal Audit Service.

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

11. INTERNAL AUDIT - COVID-19 ASSURANCE

There was circulated a report dated 30 April, 2021 by the Interim Chief Internal Auditor on work carried out by Internal Audit in support of the Council's handling of Covid 19 business support grants. The report advised that (1) the Council had administered various business support grants using Covid 19 funding including Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; Strategic Framework Business Fund; Discretionary Business Fund; Newly Self-Employed hardship Fund and Taxi and Private Hire Driver Support Fund, (2) Internal Audit had obtained assurances over the development, implementation and application process for those funds having provided support and advice on controls over the grant application and payment processes, (3) Internal Audit had been assured that an appropriate degree of scrutiny and challenge had been applied and that decisions had been made in line with the requirements set out by the Council and the Scottish Government having provided assistance in the final stage appeals where grants had been rejected, and (4) Internal Audit's work in supporting the Council's response to potential fraud identified in grant applications had also supported adjustments to procedures to identify and challenge such instances prior to payments being made.

The Interim Chief Internal Auditor introduced the report and responded to Members questions on appropriate signposting of businesses to grant funding available, fraudulent activity and the low number of applications in respect of Taxi and Private Car Hire Driver Support Fund.

The Committee **agreed** to note the report.

12. 2020 HOW GOOD IS OUR GOVERNANCE IN PRACTICE? SELF-EVALUATION REPORT

With reference to the Minute of Meeting of the Committee of 6 February, 2020 (Item 6) there was circulated a report dated 11 April, 2021 by the Director of Business Services which (1) explained that the Council's Code of Corporate Governance was based on the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) model framework for

Delivering Good Governance in Local Government, and (2) advised that a full How Good Is Our Governance (HGIO) self-evaluation had been conducted over a series of four focused online surveys with senior managers participating to objectively evaluate the council's performance in relation to the Code of Corporate Governance which had identified a number of key strengths and areas for improvement.

The Committee heard from the Business Strategy Manager who introduced the report, the Director of Business Services who acknowledged the number of overdue actions and provided assurance that action was being taken by the Strategic Leadership Team to progress outstanding actions, and from the Senior Audit Manager who advised that the report provided significant evidence on the effectiveness of governance and suggested that more context could be included in respect of the scoring mechanism used.

Discussion took place on the lack of responses from some Heads of Service and the scoring applied in respect of the Community Impact Assessment which it was considered should more accurately reflect the challenges experienced in engaging with some hard to reach groups within communities.

The Committee **agreed**:

- (1) to acknowledge that self-evaluation against the Code of Corporate Governance had been undertaken for 2021 as shown in Appendix 1 of the report;
- (2) to approve the improvement plan as detailed in Appendix 2 of the report;
- (3) to note that the action plan would be finalised and updates provided to Committee on a quarterly basis as part of the Corporate Improvement Plan;
- (4) to note the ongoing development of an effective framework for the Council with a focus on continuous improvement; and
- (5) that Officers clarify the scoring mechanism and add context in that regard to the annual governance statement.

13. CORPORATE IMPROVEMENT PLAN UPDATE

With reference to the Minute of Meeting of the Committee of 25 March, 2021 (Item 10) there had been circulated a report dated 8 April, 2021 by the Director of Business Services providing a quarterly update on progress with the implementation of actions in the Corporate Improvement Plan which incorporated actions from the Annual Governance Statement Action Plan 2019/20, Annual Governance Statement Action Plan 2020/21, How Good Is Our Governance 2020 Action Plan and Best Value Action Plan 2020. The report explained that the previously approved amalgamation of actions had reduced the total number of actions from 98 to 81 and advised that whilst the number of overdue items had increased from 13 to 25 the number of completed actions had also increased from 28 to 36.

The Business Strategy Manager introduced the report highlighting an error at paragraph 4.3 on the number of actions which should state 36 and not 39 and responded to Members questions on the number of overdue actions and availability of training for Members on the use of the Council's performance software (Pentana).

Thereafter, the Committee **agreed**:

- (1) to note the Corporate Improvement Plan (“the Plan”) attached as Appendix 1 to the report;
- (2) that Officers review the percentage figures to more accurately reflect overdue actions; and
- (3) to note that the Plan would be reported to Policy Committees;
- (4) to receive quarterly updates; and
- (5) that Pentana training be scheduled for Members.

14. RISK AND RESILIENCE ANNUAL AND FIRST QUARTER 2021 REPORT

There had been circulated a report dated 30 April, 2021 by the Director of Business Services providing an overview of the work conducted by the Risk and Resilience team over the period January, 2020 to March 2021. The report explained that the remit of the Risk and Resilience Team had been expanded and in addition to the update on the Council’s Risk Management the report also included an update on the European Union (EU) Exit, Emergency Planning, Public Safety, CONTEST (the UK’s counter-terrorism strategy) and Serious Organised Crime.

The Committee heard from the Risk and Resilience Manager on the comprehensive risk management review being undertaken including a review of the risk management strategy, frameworks, policies and procedures around that process which would be reported back to the Audit Committee in July, 2021 with risk registers being one of the focal points aligned to council priorities. Reference was also made to EU Exit arrangements; a review of emergency planning procedures; the work of the Civil Contingencies Recovery Group; Care for People arrangements; training delivered for major incidents; Business Continuity Plans and processes; the Events Sector and re-establishment of the Events Oversight Group; the Council’s CONTEST remit; and the establishment of a short term working group to review the approach to serious organised crime.

The Risk and Resilience Manager then responded to Members questions on the roles and responsibilities of the Risk and Resilience Team, the Council’s remit in terms of terrorism including the public and community engagement process, money laundering and counter fraud strategy and Event operators responsibility in respect of counter terrorism and safety measures.

Thereafter, the Committee **agreed**:

- (1) to note the contents of the review as outlined in the report;
- (2) that a further update report be provided in December 2021;
- (3) that a briefing note on money laundering and fraud risks be circulated to all Members; and

- (4) that Members be provided with a note of the roles, responsibilities and contact details of the Risk and Resilience Team.

15. EXTERNAL AUDIT – OUTSTANDING RECOMMENDATIONS

There had been circulated a report dated 5 May, 2021 by the Director of Business Services advising Committee of progress made by the Council in implementing the External Audit recommendations agreed as part of 2019/20 audit and those outstanding from the 2018/19 and audit. Appendix 1 of the report set out the recommendations agreed for each year together with an update on action taken by the Council and, where appropriate, included revised target dates where actions were yet to be implemented.

The Senior Audit Manager introduced the report which was based on evidence available as of March 2021. She highlighted that some of the earlier recommendations from the 2018/19 audit were relevant to the Best Value findings and as those had been picked up as part of the corporate improvement plan they would be removed from the outstanding report going forward to minimise duplication. She advised that around half of recommendations made in 2019/20 related to the annual accounts process and these would be reviewed as part of that audit process leaving three main areas of recommendations relating to the operation of the Audit Committee, the quality and frequency of financial reporting and the counter fraud strategy.

Discussion took place on proposed improvements in terms of financial and performance reporting and on the improvement journey for the Audit Committee.

Thereafter, the Committee **agreed** to note the contents of the report.