

## **ABERDEENSHIRE COUNCIL**

### **AUDIT COMMITTEE**

#### **SKYPE MEETING, 1 JULY, 2021**

**Present:** Councillors R Cassie (Chair), A McKelvie (Vice-Chair), N Baillie, A Bews, S Calder, M Ewenson, W Howatson, A Kloppert, S Leslie (Items 1 to 11), D Lonchay, M Roy, H Smith and I Sutherland.

**Apologies:** Councillor A Buchan.

**Officers:** Chief Executive, Director of Business Services, Interim Chief Internal Auditor, Interim Head of Finance, Legal Services Manager (R O'Hare), Business Strategy Manager (F McCallum), Corporate Finance Manager (S Donald), Housing Manager (D Thomson), Planning Service Manager (M Stewart), Regeneration and Town Centres Manager (C Webster), Business Services Manager (K Davidson), Finance Officer (K MacLennan) and Committee Officer (A McLeod).

**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 Baillie declared an interest in item 5 as he is a support worker for people with disabilities, 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 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 20 MAY, 2021**

There had been circulated and was **approved** as a correct record the Minute of Meeting of 20 May, 2021.

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

There had been circulated a report by the Director of Business Services, outlining progress with actions agreed at recent meetings of the Committee.

Having heard from the Director of the detail of the updates, the Committee **agreed**:

- (1) To note for their interest the report and that the items marked as completed should be removed; and
- (2) That the update briefing note referred to in item 3 should be recirculated to Members.

#### **5. INTERNAL AUDIT REPORTS**

There had been circulated a report dated 14 June, 2021 by the Interim Chief Internal Auditor advising of the conclusion of audits into (a) Benefits (Internal Audit Report 2036 – May 2021); (b) Housing Void Control (Internal Audit Report 2103 – May 2021); (c) Learning Disabilities (Internal Audit Report 2112 – June 2021); (d) Duplicate Grant Payments (Internal Audit Report 2116 – May 2021) and (e) HSCP Financial Assessments (Internal Audit Report 2119 – May 2021).

In respect of Audit No, 2036, the Interim Chief Internal Auditor advised that a minor recurring issue with recording actions and outcomes had been identified and these were being addressed through training and a review of procedures.

The Corporate Finance Manager responded to Members questions on the differential between payments of Housing Benefit made by the Council and the subsidy received from the Department of Work and Pensions (DWP), and the recording of all changes in benefits on the core revenue and benefits system.

In respect of Audit No. 2103, the Interim Chief Internal Auditor advised that the audit had identified that procedures were in place, but there were areas where records needed to be improved, which would help to demonstrate that the service was acting appropriately, timeously and addressing delays, where possible.

The Housing Manager responded to Members questions on the widening of the gap in numbers of void properties between 2019/20 and 2020/21, and acknowledged that numbers were high, due to not being able to let properties in sheltered housing schemes and other areas, for periods of time, due to covid restrictions, and a knock on delay in being able to access properties. However, considerable progress had been made and letting was proceeding in a controlled manner. Discussion also took place on a review of housing assets which was underway; a review of voids; new policy and lettable standards; a proposed realignment of the asset management repairs team; and requirements in relation to energy efficiency and the move towards net zero, with a significant number of the housing stock being of non-traditional construction and expensive to treat.

In respect of Audit No. 2112, the Interim Chief Internal Auditor advised that in terms of the audit, in general, rules had been applied consistently and payments were appropriately controlled.

The Business Services Manager responded to Members questions on the review of care packages and assurance was given that the updating of procedures to reflect current organisational management structures would not have an impact upon the review of care packages.

In respect of Audit No. 2116, the Interim Chief Internal Auditor advised that Internal Audit was made aware that a duplicate grant payment had been made to an external organisation and a review of the circumstances and evidence had been undertaken to identify whether procedures for the administration and payment of grant funding were sufficiently robust. He confirmed that steps were being proposed to enhance the recording process and to facilitate cross-checking.

The Interim Head of Finance advised that financial guidance had been updated to reflect a new Grants Register and associated processes for populating it using an online form and access to financial reporting tools would be provided to allow those processing grant applications and claims to review previous payments and ensure the potential for duplication, or payment in excess of award, was identified and discussed with other funders within the Council, where appropriate.

The Planning Service Manager and Regeneration and Town Centres Manager responded to questions and provided further background to the circumstances of the duplicate grant payments and confirmed that the enhancement of the Council's Grants Register and the claims processing procedures to confirm the authenticity of grant claims before they were paid would ensure a consistent approach.

In respect of Audit No. 2119, the Interim Chief Internal Auditor advised that in terms of the audit, with limited exceptions, written procedures were up to date and comprehensive; some supporting procedures required to be updated and calculations of assessments to be retained.

The Committee also heard from the Business Services Manager who welcomed the findings of the audit and confirmed that procedures for verifying financial assessments were being reviewed, and noted that in some circumstances there was a risk that incomplete financial information may be difficult to identify. She advised that the Finance team carried out training and provided guidance to practitioners to ensure that appropriate information was obtained.

Thereafter, the Committee **agreed**:

- (1) in respect of the report on Benefits (Report No. 2036 – May 2021) - to be assured;
- (2) in respect of the report on Housing Void Control (Report No. 2103 – May 2021) - to be assured;
- (3) in respect of the report on Learning Disabilities (Report No. 2112 – June 2021) - to be assured;

- (4) in respect of the report on Duplicate Grant Payments (Report No. 2116 – May 2021) – to be assured; and
- (5) in respect of the report on HSPC Financial Assessments (Report No. 2119 – May 2021) – to be assured.

## **6. INTERNAL AUDIT RECOMMENDATIONS**

There had been circulated a report dated 15 June, 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 10 overdue actions graded as Major, 17 Significant and over 12 months overdue. A total of 76 actions remained overdue; (3) advised that since the last meeting of the Committee 20 recommendations had been implemented demonstrating continuing progress; and (4) an explanation of the gradings used was provided in Appendix B.

The Interim Chief Internal Auditor introduced the report and responded to Members questions on current due dates and actions being taken to complete those recommended actions, and noted that all services, with the exception of Infrastructure Services should be able to complete a review of fees and charges in advance of the next financial year.

Thereafter, the Committee **agreed**:

- (1) to note the issues raised within the report and the attached appendices; and
- (2) that the Director of Infrastructure Services provide a briefing note to Members providing further information and clarification on the delay in the ISC review of fees and charges, in terms of the Corporate Charging Framework.

## **7. REGISTER OF BREACHES OF FINANCIAL REGULATIONS**

With reference to the Minute of Meeting of 2 July, 2020 (Item 7), there had been circulated a report dated 14 June, 2021 by the Interim Chief Internal Auditor reporting the incidence of breaches of Financial Regulations up to the end of March 2021.

The Interim Chief Internal Auditor introduced the report and noted that whilst the report provided the number of breaches of Financial Regulations identified by, or notified to, Internal Audit, the numbers were dependent on the areas of work undertaken and the information would not necessarily reflect a like-for-like comparison between years. He responded to Members questions on the increase in retrospective purchase orders, which could in a large part be attributed to reasons of urgency; resource issues within the Internal Audit team, with a number of new recruits scheduled to join the team soon; and procurement legislation breaches.

Thereafter, the Committee **agreed** to note the issues raised within the report and the attached appendices.

## **8. ANNUAL AUDIT COMMITTEE REPORT 2020/21**

There had been circulated a report dated 27 May, 2021 by the Director of Business Services requesting consideration of the Audit Committee Annual Report 2020/21, providing information around the membership and roles and remit of the Audit Committee, and sharing details of some of the work that the Committee had been involved in during the year 31 March 2020 to 1 April 2021. The Annual Report, including any comments from the Audit Committee, would be considered by Full Council as part of the Council's Annual Performance Report on 23 September, 2021.

The Business Strategy Manager introduced the report and responded to Members questions and comments on the timescales for reporting to Full Council; proposed training and development for Members of the Audit Committee; feedback received by the Chair and Vice Chair from other Policy Committees; and the need for the Committee to have an informal session to consider and make comment on the Annual Report before it was submitted to Full Council.

Thereafter, the Committee **agreed**:

- (1) to note the Audit Committee Annual Report 2020/21 ("the Annual Report") (attached as Appendix 1 to this report);
- (2) to note that the Annual Report, including any comments from the Audit Committee, would be considered by Full Council as part of the Council's Annual Performance Report on 23 September 2021; and
- (3) to instruct the Director to arrange a session following the summer recess to finalise the Annual Report and thereafter to delegate authority to the Director of Business Services, following consultation with the Chair and Vice Chair of the Committee, to agree the final version for submission to Full Council.

## **9. ANNUAL GOVERNANCE STATEMENT 2020/21**

With reference to the Minute of Meeting of the Committee of 25 March, 2021 (Item 10), there had been circulated a report dated 27 May, 2021 by the Director of Business Services requesting consideration and approval of the Annual Governance Statement 2020/21 and Action Plan, which would be presented along with the Annual Accounts to External Audit. The report advised that (1) the Local Authority Accounts (Scotland) Regulations 2014 required the Council to conduct a review of the effectiveness of its system of internal control; (2) following consideration of the findings of that review the Council must prepare an Annual Governance Statement (AGS) to be signed off by the Chief Executive and Leader of the Council; (3) the Audit Committee had agreed the process and timetable for the preparation of the Annual Governance Statement 2020/21 at its meeting on 25 March 2021, the draft AGS had been considered by Policy Committees during May and June 2021, and feedback had been incorporated into the Statement attached as Appendix 1; and (4)

an open session on the accounts would be arranged, to which all Councillors would be invited, prior to the Audited Accounts for 2020/21 being reported to Ful Council on 18 November, 2021.

The Director of Business Services introduced the report and responded to Members questions on progress with outstanding recommendations on Best Value; the potential impacts of the ongoing review of the Charging Policy on the budget setting process; and progress on the development of a corporate data hub.

Thereafter, the Committee **agreed**:

- (1) to note the Annual Governance Statement 2020/21 (attached as Appendix 1 to the Report) which would be presented along with the Annual Accounts 2020/21 to Audit Scotland;
- (2) to note the Annual Governance Statement Action Plan; and
- (3) that the Annual Governance Statement Action Plan 2020/21 (once approved) be added to the Corporate Improvement Plan and subject to the monitoring and scrutiny that was in place for that Plan.

## **10. UNAUDITED ANNUAL ACCOUNTS 2020/21 FOR ABERDEENSHIRE COUNCIL AND ITS CHARITABLE TRUSTS**

The Committee **noted** that this item had been withdrawn from the agenda.

## **11. TRAINING AND SUPPORT FOR MEMBERS OF THE AUDIT COMMITTEE**

There had been circulated a report dated 16 June, 2021 by the Director of Business Services seeking approval for a programme of training and support for members of the Audit Committee, with particular focus on a comprehensive induction for new Members at the start of the next Council term.

The Committee heard from the Legal Service Manager, who outlined the proposals, which had been developed following the outcome of the How Good is our Governance (HGIOG) self-evaluation surveys and further consultation with members of the Committee, and she outlined the proposals to provide a number of training sessions for the Committee between September 2021 and February 2022, and an induction programme for the Audit Committee, following the Local Government elections in 2022, with a plan to report to the Committee on an annual basis thereafter, to consider the ongoing training needs of the Committee.

Discussion took place on the benefits of an ongoing programme of training and support for Members of the Audit Committee, in view of the varied and diverse work of the Committee, and the development of a handbook for members was welcomed.

Thereafter, the Committee **agreed**:

- (1) to note the review of the attendance and work of the Committee and the summary of survey responses from Members at Appendix 1;

- (2) to approve the programme of training for 2021/2022 at Appendix 2; and
- (3) that actions HGIOG 6.1 and HGIOG 6.2 in the How Good is Our Governance Action Plan 2020 could now be marked as complete.

## 12. EXTERNAL AUDIT PROGRESS REPORT

There had been circulated a report dated 18 June, 2021 by the Director of Business Services providing an update on progress against the External Auditor's 2020/21 Audit Plan.

The Committee heard from the Senior Audit Manager, Audit Scotland of the ongoing review of internal audit's policy documentation for a number of audits, to support the wider scope responsibilities of Audit Scotland; noted some slippage in delivering the internal audit plan, largely as a result of vacancies in the internal audit section; recommending that the delivery of the 2021/22 audit plan should be regularly risk assessed to ensure it remained realistic and achievable each year, and be provided as part of the information supporting the annual plan; recommending that the annual audit plan provide a clear link between individual audits and council priorities and risks, in order to demonstrate that the plan was adequately covering the Council's highest risk areas; noted that internal audit had plans in place to consider wider sources of assurance and implement priority levels for audits by March 2022, and the development of these proposals would be monitored; and overall conclusions of the findings of Audit Scotland would be incorporated in to their Interim Report on 2020/21 audit, which was scheduled to be reported to the Audit Committee in September 2021.

Thereafter, the Committee **agreed** to note the progress report.

## 13. RISK MANAGEMENT REVIEW

There had been circulated a report dated 4 June, 2021 by the Director of Business Services, which summarised the main findings of a review of Aberdeenshire Council's Risk Management arrangements by the Risk and Resilience Team. The report advised that (1) the aim of the review was to assess the existing risk management strategy and processes, to build on areas of strength, identify areas of vulnerability and provide assurance to elected members; (2) the detailed findings would be reflected in the proposed Risk Management Strategy and Framework; (3) following consultation, the proposed Risk Management Strategy and Framework would be brought back to Audit Committee for consideration; and (4) thereafter final approval would be sought from the Business Services Committee as the relevant Policy Committee with the remit for Finance, and therein Risk and Resilience.

The Director of Business Services introduced the report and responded to Members questions on risk register templates and timescales for completion, details of Risk Register Guidance Notes, examples of a mechanism by which risks could be escalated or de-escalated across the registers, and the ability to reflect risks through the framework proposed in Appendix 2. It was also noted that consideration was being given to allow for an area emphasis within templates.

Thereafter, the Committee **agreed** to:

- (1) note the findings of the Risk Management Review set out in paragraphs 5.1 to 5.11;
- (2) note the next steps in developing a distinct Risk Management Strategy and Framework, building on the strengths of the current arrangements, and incorporating the proposals from the findings of the Risk Management Review as set out in Appendix 3; and
- (3) receive a Report by November 2021 setting out a proposed Risk Management Strategy and Framework for comment and endorsement, following consultation with Directorate Management Teams, Area and Policy Committees and prior to approval by Business Services Committee.

Prior to the conclusion of the meeting, the Chair, on behalf of the Committee, paid tribute to Kathy Davidson, Business Services Manager, Strategy and Business Services, who was due to retire at the end of July 2021. He thanked Mrs Davidson for her support for the Council and Audit Committee and wished her a long and happy retirement.