

AUDIT COMMITTEE

THURSDAY, 15TH FEBRUARY, 2024

Present: Councillors S Adams (Vice-Chair), A Buchan, A Forsyth, M Grant, S Logan, D Lonchay, Doreen Mair, T Mason, L McWhinnie (substitute for Councillor R Cassie), R Menard, C Simpson, A Turner (substitute for Councillor D Ritchie) and J Whyte.

Apologies: Councillors R Cassie, G Hall and D Ritchie.

Officers: Director of Business Services, Chief Officer (Health and Social Care Partnership), Head of Finance, Chief Internal Auditor, Legal Services Manager (L Cowie), HR Manager (G Gray), Estates Manager (J Gahagan), Roads Manager (B Lennox), Quality Improvement Manager (P Wood), Business Strategy Manager (F McCallum), Strategic Commercial Manager (M MacKenzie), Interim Strategy and Transformation Manager (A MacLeod) and Committee Officer (A McLeod).

1 SEDERUNT AND 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.

2 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 Integrated Impact Assessment has been provided, its contents and to take those into consideration when reaching a decision.

3 MINUTE OF THE MEETING OF 21 DECEMBER, 2023

There had been circulated and was **approved** as a correct record the Minute of the Meeting of Audit Committee of 21 December 2023.

4 STATEMENT OF OUTSTANDING BUSINESS

There was circulated a report by the Director of Business Services which updated Members on the progress made against outstanding actions agreed at previous meetings of the Audit Committee.

The Director of Business Services provided updates and the Committee **agreed** that items 1 and 4 could be closed and removed from the statement and in other respects to **note** the items of outstanding business as at 15 February 2024.

5 INTERNAL AUDIT UPDATE REPORT

There had been circulated a report dated 29 January 2024 by the Chief Internal Auditor, which provided an update on the work of Internal Audit since the last update and provided details of progress against the approved Internal Audit plans, audit recommendations follow up, and other relevant matters that the Committee should be aware of.

The Committee heard from the Chief Internal Auditor who advised that, with regard to the follow up of Audit recommendations, as at 30 November 2023 there were eight audit recommendations due and outstanding, and management had closed off three, with five outstanding. Management had provided updates on the progress and this was reflected in the report.

Thereafter, the Committee **agreed** to note:

- (1) the Internal Audit update report as detailed in Appendix A to the report;
- (2) the progress of the Internal Audit Plan; and
- (3) the progress that management has made with implementing recommendations agreed in Internal Audit reports.

6 INTERNAL AUDIT REPORTS (PUBLIC)

There had been circulated a report dated 29 January 2024 by the Chief Internal Auditor advising of the conclusion of audits into (a) Internal Audit Report 2423 - HR Leavers Procedure; (b) Internal Audit Report 2419 – Sale of Land and Property; and (c) Internal Audit Report 2417 – Roads Tendering.

In respect of Internal Audit Report 2423 – HR Leavers Procedure, the Chief Internal Auditor advised that the objective of the audit was to ensure that procedures were in place and operating effectively with regard to staff ending Council employment. Overall, there was reasonable assurance over what was seen as a moderate risk area, with a generally sound system of governance, risk management and control in place. The review identified two major risks, these being (1) the late submission and administration of leavers forms, resulting in the risk of overpayments by Payroll; and (2) adjustments to flexible work balances were no longer made to employees' final pay resulting in a risk of time not being paid for or recovered before the leaving date.

The HR Manager responded to questions on the reasons for the ongoing delay in leavers information being passed to HR and confirmed that HR guidance had been updated to ensure that the guidance for processing leavers was being applied

consistently. In relation to flexible working balances, it was noted that once employees accounts were terminated their accounts on the time recording system were deleted and the data was unavailable. A number of actions were proposed to support further compliance and to allow Managers to have access to a wider range of data to assist in reducing the number of late e-forms being submitted.

The Director of Business Services confirmed that a report was due to be presented to the Business Services Committee addressing the issue of salary overpayments, as a result of a previous report to that Committee.

In respect of Internal Audit Report 2419 – Sale of Land and Property, the Chief Internal Auditor advised that the objective of the audit was to obtain assurance that appropriate arrangements were in place to control the sale of land and property, and he confirmed that there was a generally sound system of governance, risk management and control in place. The report highlighted that areas such as property, asset management strategies and assessments, property disposal and record keeping and reporting overall were areas where management could strengthen the framework of control, and the report provided a detailed management response and highlighted that already planned actions and additional work would be taken to address the points raised as part of the audit.

During discussion, Members commented on the potential to give further consideration to the Council's marketing strategy in terms of the marketing of surplus properties, and in the use of external agencies. There was also discussion of improvements being made in the case management system to better manage, record and report on asset disposals and to ensure the Service maximises the benefits of automation, controls and reporting.

In respect of Internal Audit Report 2417 – Roads Tendering, the Chief Internal Auditor advised that the objective of the audit was to ensure the procedures were being followed for roads tendering and that they were appropriate and robust. The report made three recommendations around enhancements to controls and areas such as reviewing and updating written procedures and training, tendering evaluation and operational improvements to the tendering evaluation and award of contracts. Management had agreed to take forward all the actions in the coming months.

The Roads Manager responded to questions on the lack of database reference numbers within the Directorate procurement plan and explained that in some cases contract numbers were not produced until individual contracts were let. He confirmed that the recommendation within the Internal Audit that a clear explanation should be provided within the plan had been addressed, and that all the recommendations from the audit had been allocated an agreed action and implementation date.

Thereafter, the Committee **agreed**:

- (1) for Internal Audit Report 2423 – HR Leavers Procedures – to be assured;
- (2) for Internal Audit Report 2419 – Sale of Land and Property – to be assured;
- (3) for Internal Audit Report 2417 – Roads Tendering – to be assured.

7 INTERNAL AUDIT REPORTS (PUBLIC) (DEFERRED)

With reference to the Minute of the Audit Committee of 9 November 2023 (Item 6b), there had been circulated a report dated 29 January 2024 by the Chief Internal Auditor on Internal Audit Report 2407 – Pupil Equity Fund. The report was originally presented to the meeting of the Audit Committee on 9 November 2023 and was deferred to allow the Service to provide a more detailed action plan and updated response to address the major recommendations around unallocated funds and IR35 compliance. The Service response was included as an appendix to the report.

The Chief Internal Auditor explained that the Service response provided further detail, including additional updates on all actions and although the response had not been reviewed by Internal Audit, it would be reviewed as part of the standard follow up process once the report was agreed by the Committee.

During discussion, there were some concerns from Members around the extent of the unspent funds which had been carried forward into 2022/23 and the lack of plans for the full use of the funds by a large proportion of schools, and there may be a danger if the funds were not used that the funding allocation would be lost.

The Quality Improvement Manager confirmed that officers were continuing to work with Head Teachers to ensure the utilisation of the Pupil Equity Funding from the planning consultation stage through to implementation, and the guidance provided gave a clear set of expectations to ensure that the funding was targeted in the right way to ensure maximum impact.

There was also discussion of the Major risk rating allocated to IR35 Compliance, which related to off-payroll working legislation which required public bodies to undertake an employment status assessment for all identified suppliers to ensure that sub-contractors used were complying with all HMRC requirements with regard to income tax and National Insurance. The audit had identified a lack of application of the Council's policy on IR35 compliance.

The Quality Improvement Manager confirmed that as a result of the audit further guidance had been provided and work was ongoing with HR to develop appropriate training to ensure the consistent application of the IR35 legislation.

After further discussion, the Committee **agreed** that in respect of the report on Pupil Equity Fund (Internal Audit Report 2407) the Committee were not assured, and requested that the matter be referred to the Education and Children's Services Committee to undertake a Committee Review Process, with a view to addressing the two recommendations within the Internal Audit Report with a Major Risk Rating, namely 1.3 (Unallocated Funds) and 1.7 (IR35 Compliance), to seek assurance that there is a robustness in the process in terms of management actions.

8 INTERNAL AUDIT CHARTER

With reference to the Minute of the Audit Committee Meeting of 22 March 2023 (Item 7), there was circulated a report dated 29 January 2024, by the Chief Internal Auditor, which sought Committee approval for the continued use of the current Internal Audit Charter to remain in force, as detailed in Appendix A to the report.

The report explained that The Public Sector Internal Audit Standards (PSIAS) would require that Internal Audit sections had an Internal Audit Charter which should include specific requirements contained within the Standards and those Standards required that the organisation's Board (for the Council, the Audit Committee) should approve the Internal Audit Charter.

The Chief Internal Auditor introduced the report, and advised the Committee that there were no proposed changes, from the previous Internal Audit Charter.

After discussion, the Committee **agreed** the Internal Audit Charter and to note that no changes had been suggested to the previous version.

9 INTERNAL AUDIT PLAN 2024-2027

There was circulated a report dated 29 January 2024 by the Chief Internal Auditor which presented the draft Internal Audit Plan for 2024-2027 for discussion and approval. The report explained that Public Sector Internal Audit Standards required that Internal Audit produce a risk based Internal Audit plan for each year and that it be approved by the "Board", and it was one of the functions of the Audit Committee to review the activities of the Internal Audit function, including its work programme.

The Chief Internal Auditor provided an overview of the Audit Plan and responded to questions from the Committee, confirming that there scope and capacity within the plan to enable it to be amended to reflect changes in priority or due to new risks being introduced or identified. He highlighted a number of strategic reviews which were in the pipeline and confirmed that regular reporting to the Committee would highlight any developing or emerging risks with scope to introduce them into the plan.

After discussion, the Committee agreed that they had reviewed, discussed and commented on the contents of the report and thereafter approved the 2024-2027 Internal Audit Plan.

10 FORWARD PLANNING REPORT TIMETABLE 2024/25

There had been circulated a report dated 9 January 2024 by the Director of Business Services which presented for approval the Audit Committee Forward Plan for 2024/25.

The report explained that the Audit Committee had a range of delegations in Part G of the List of Committee Powers in the Scheme of Governance which involved a schedule of reporting over the year. A Forward Plan for 2024/25, identifying when reports were likely to be presented to the Committee for consideration, had been drafted and was attached at Appendix 1.

The Committee **agreed** to:

- (1) approve the Forward Plan for 2024/25, as detailed in Appendix 1 to the report;
and
- (2) to receive regular updates in the Forward Plan where appropriate.

11 **SCRUTINY REFERRAL TO BUSINESS SERVICES COMMITTEE - PROCUREMENT COMPLIANCE**

With reference to the Minute of Meeting of the Audit Committee of 18 May 2023 (Item 13) and the Business Services Committee of 11 January 2024 (Item 9), there was circulated a report dated 18 January 2024 by the Director of Business Services confirming that following a Stage 3 Investigation, the Business Services Committee had concluded the Committee Review Process in respect of the matter of service delivery that had been identified by the Audit Committee for improvement.

The report advised that during the Committee Review Process which had included a Stage 1 report, a Stage 2 Workshop and a Stage 3 Investigation, a number of key areas of improvement had been identified and after consideration of the presentation and responses Members were able to confirm that sufficient assurance had been provided to conclude the Committee Review Process.

The Strategic Commercial Manager responded to questions from the Committee in relation to future plans to ensure that all the actions would be carried out. The Chief Internal Auditor confirmed that a follow up of the management recommendations from the Internal Audit had been carried out by the Internal Audit team, and that of the 41 recommendations, all but one had been closed off and management had confirmed that the final recommendation would be closed by the end of March 2024. In addition, given its significance, an element of the procurement function was always featured within the Internal Audit Plan.

After discussion, the Committee **agreed**:

- (1) to acknowledge that the Business Services Committee, having conducted a Stage 3 (Investigation) in respect of the matter of service delivery identified by the Audit Committee for improvement, had concluded the Committee Review Process; and
- (2) to note the content of the Investigation Report and action taken.

12 **INTEGRATION JOINT BOARD - TRANSFORMATIONAL PROJECTS - OUTCOME FROM STAGE 2 SCRUTINY WORKSHOP**

With reference to the Minutes of Meetings of the Audit Committee of 22 March 2023 (Item 6A), and the Communities Committee of 14 December 2023 (Item 15), there was circulated a report dated 19 January 2024 by the Chief Officer, Aberdeenshire Health and Social Care Partnership which advised that the Communities Committee had determined, following a Stage 2 Workshop in respect of the Committee Review Process, that they had the required assurance in respect of 'Integration Joint Board Transformational Projects' and not to instruct a Stage 3 investigation.

The Committee heard from the Interim Strategy and Transformation Manager, Aberdeenshire Health and Social Care Partnership, who provided some background on the work that had been undertaken in the matter of IJB transformational projects following a Committee Review Process referral by the Audit Committee. Following receipt of a Stage 1 report and a Stage 2 workshop, the Communities Committee had determined that it was content with the report provided and that no further action should be taken to progress the matter to Stage 3. She advised the Committee of

progress against all recommendations arising from the internal audit report and the summary of progress against those recommendations had been addressed to ensure that there were clearly defined and consistently applied escalation processes in place for risks associated with any transformation work stream.

During discussion, Members commended the work that had been undertaken by officers and acknowledged the large amount of work that had been undertaken to address the recommendations of the original internal audit report and to the progress that had been made in bringing the work forward.

Following discussion, the Committee **agreed**:

- (1) to acknowledge that Communities Committee, having undertaken a Stage 2 (Workshop), was assured in respect of the matter of service delivery identified by the Audit Committee for improvement, and agreed to not conduct the Stage 3 (Investigation) Committee Review Process; and
- (2) that it was assured by the action taken and it now had the required assurance in respect of Internal Audit Report 2212, IJB Transformational Projects.