

Scrutiny and Audit Committee Report to Angus Council 2017/18

Introduction

An annual report from the Scrutiny & Audit Committee to Angus Council has been introduced to ensure compliance with guidance for audit committees issued by CIPFA. The guidance recommends that all audit committees should '*report regularly on their work, and at least annually report an assessment of their performance*'. (Audit Committees Practical Guidance for Local Authorities and Police, published by CIPFA in 2013.)

This report has been prepared to inform Angus Council of the work carried out by the Scrutiny and Audit Committee during the period April 2017 to March 2018. It also provides details of the committee's membership and attendance.

Scrutiny & Audit Committee remit

The overall remit of the committee is to review all aspects of corporate governance, risk management and internal control, ensuring systematic appraisal of the council's control environment and framework to provide reasonable assurance of effective and efficient operations.

The committee reviewed its remit in June 2017 and agreed that the remit should be extended to include the scrutiny of AngusAlive and Angus Health and Social Care Integration Joint Board. The revised remit was approved by Council at its meeting on 19 October 2017.

During 2017/18 the Scrutiny and Audit Committee fulfilled its remit through information it received from internal audit, external audit, other external scrutiny and inspection agencies, and assurances from management. Further detail is included in Appendix A which shows the full remit as detailed in Standing Orders, together with a summary of the work undertaken.

Membership and attendance

Membership of the committee is set out in Standing Orders: '*13 members with not less than 8 of those appointed being councillors who are not members of the Administration*'. The committee usually meets formally on six occasions during the financial year. An additional special meeting was called in February 2018 to approve a proposed change in the management arrangements for internal audit. All seven meetings were quorate (at least five members in attendance).

Scrutiny & Audit Committee Attendance 2017/18

| Member | Expected attendances | No. of meetings attended | Nominated substitute attended |
|--------------------------------------|-----------------------------|---------------------------------|---|
| CLlr King (convener) | 7 | 7 | |
| CLlr Duff (vice-convener) | 7 | 7 | |
| CLlr Bell | 7 | 7 | |
| CLlr Boyd | 7 | 7 | |
| CLlr Braes | 7 | 5 | CLlr Hands August 2017 |
| CLlr Brown | 7 | 5 | |
| CLlr Devine | 7 | 7 | |
| CLlr Durno (to June 2017) | 1 | 0 as member 1 as sub | CLlr McDonald June 2017 |
| CLlr Fairweather (from 8 Feb 2018) | 2 | 1 | |
| CLlr Lawrie | 7 | 5 | CLlr Moore August 2017 CLlr Moore January 2018 |
| CLlr Macmillan Douglas (to Oct 2017) | 3 | 3 | |
| CLlr McDonald (from 29 June 2017) | 6 | 4 as member 1 as sub | CLlr Hands November 2017 |
| CLlr McLaren | 7 | 6 | CLlr Fotheringham March 2018 |
| CLlr Salmond | 7 | 4 | CLlr Fotheringham Nov 2017 |
| CLlr Whiteside | 7 | 6 | CLlr Durno March 2018 |

The Chief Executive, Head of Corporate Finance, Internal Audit Manager and Acting Service Manager – Governance & Consultancy (or their nominated substitute) attended all committee meetings and other senior officers also routinely attended. Representatives from External Audit, Police Scotland and Scottish Fire & Rescue Services attend meetings and speak to their reports.

Training

A wide range of briefings and other training was offered to elected members during 2017/18. Topics of particular relevance to the Scrutiny & Audit committee included

- An overview of governance, audit and scrutiny as part of the induction programme in May 2017
- A Scrutiny & Audit workshop before the committee meeting in June 2017
- Treasury Management briefing
- Annual accounts briefing
- Risk and internal audit planning workshop
- Local Government Overview report workshop

Internal Audit

The Scrutiny & Audit committee takes assurance from internal audit on a wide range of issues. At its meeting in March 2018, the committee heard from the

Audit Manager that there has been some slippage in delivering the 2017/18 internal audit plan, but the Manager expects the plan to be fully delivered by the end of the internal audit reporting year in June.

Five of the 2017/18 internal audit reviews resulted in only limited assurance over the controls.

- GDPR Readiness, reported to committee in March 2018.
Internal Audit noted that the limited assurance assessment “is in no way a criticism of those involved in the GDPR project but rather a reflection of the impact limited staffing resource has had on GDPR preparations”. The report also noted that changes already planned by management should address some of the areas identified in the report. Additional actions have been agreed with management to address the remaining issues. Further work on GDPR will be undertaken by internal audit during 2018/19.
- School Funds Governance (Primary Schools), reported to committee in August 2017.
This audit was carried out in primary schools following the weak assessment of a similar audit in secondary schools in 2016. An action plan has been agreed with management to address the identified weaknesses. A follow-up audit has been included in the 2018/19 internal audit plan.
- IT User Access Administration (Integra), reported to committee in April 2018.
This audit sought to provide assurance that appropriate controls are in place to ensure the confidentiality, integrity and availability of the Integra finance system data. The review considered the adequacy of user access controls to ensure effective segregation of duties. Also, the weaknesses identified as enabling fraudulent activity in another local authority were considered as part of the review. The main issue giving rise to the limited assurance assessment related to two priority 1 actions about administrator access. An action plan has been agreed with management and the priority 1 actions had been completed by April 2018. Follow-up work will be undertaken later in 2018.
- Service Level Agreements (SLAs), reported to committee in June 2018
The audit sought to provide assurance that appropriate controls and processes are in place for the provision and monitoring of services provided under a SLA.
An action plan has been agreed with management to address all of the recommendations. In addition, a review of SLAs / grant agreements / contracts is currently being carried out by the Procurement Team and other interested parties, which will address some of the areas for improvement identified in the report.

- Property Repairs Work Allocation, reported to committee in June 2018
The overall objective was to provide assurance that there are appropriate controls over the allocation and subsequent management of work to contractors in the Urgent Repairs and Jobbing framework contract. Internal Audit made three priority 1 and four priority 2 recommendations and an action plan has been agreed with management. A similar audit of the new Schedule of Rates contract for planned maintenance is planned for 2018/19.

Internal Audit monitor completion of all agreed action plans and progress is reported to the Scrutiny & Audit Committee throughout the year.

Self-assessment and action plan

A self-assessment has been undertaken, using checklists included in the Cipfa Audit Committees Guidance.

The Good Practice checklist confirmed a high level of compliance with the principles set out in the Cipfa guidance.

The Evaluation of Effectiveness checklist is intended to help committee members to consider where the committee is most effective and where there may be scope to do more. The committee has used the checklist to develop an action plan, which is included as Appendix B to this report.

Conclusion

As convener of the Scrutiny & Audit Committee, I am satisfied that the work undertaken by the committee during 2017/18 provides reasonable assurance that the Council's control environment and governance framework operated effectively and efficiently during 2017/18. Actions have been put in place to address any weaknesses identified and the committee will continue to monitor completion of these actions.

Signed _____

Convener of the Scrutiny & Audit Committee

Date _____

Scrutiny and Audit Committee Annual Report 2017/18 Appendix A

Review of remit

Numbers in brackets refer to the committee's remit as set out in Standing Orders.

| Remit | Evidence |
|--|---|
| <p><u>Corporate Governance - overview</u></p> | |
| <p>(1) To review all aspects of corporate governance, risk management and internal control, ensuring systematic appraisal of the council's control environment and framework to provide reasonable assurance of effective and efficient operations.</p> <p>(2) To promote and maintain high standards of conduct by councillors, co-opted members and employees, and advise on the adoption or revision of the code of conduct.</p> <p>(3) To consider matters concerning the establishment, maintenance and public availability of the Register of Interests of Councillors and Employees.</p> <p>(19) To consider the Chief Executive's Annual Report on Corporate Governance and the Annual Governance Statement.</p> | <ul style="list-style-type: none"> • Updated Local Code of Corporate Governance reviewed & approved (R213/17) • Corporate Governance review and draft AGS for 2016/17 (R214/17) • Complaints raised with Commissioner for Ethical Standards in Public Life (R224/17) • AGS action plan update (R394/17) <p>Similar reports will be submitted to the June 2018 meeting of the committee.</p> <p>Chair of Scrutiny & Audit committee signed a letter of assurance to Angus IJB, confirming adequate & effective governance arrangements during 2016/17. A similar letter was received from the Chair of the IJB's Audit Committee. Assurance letters will again be exchanged for 2017/18.</p> |
| <p><u>Counter-fraud arrangements</u></p> | |
| <p>(4) To consider reports on the adequacy and effectiveness of the Council's counter fraud and corruption arrangements.</p> | <p>The council's Counter-Fraud & Corruption Strategy, Fraud Response Plan and Whistleblowing Policy were reviewed by the Scrutiny &</p> |

| Remit | Evidence |
|---|--|
| | <p>Audit committee in 2016 before being approved by the Policy & Resources committee. (R308/16)</p> <p>The committee receives twice yearly updates on Corporate Counter Fraud activity. (R218/17 & R395/17)</p> <p>The annual review for 2017/18, considered by the committee in June 2018 (report 202/18) included a self-assessment against the Cipfa Code of Practice on Managing the Risks of Fraud and Corruption. The committee agreed that this demonstrates that the council has adopted a response that is appropriate for its fraud and corruption risks.</p> <p>The committee also receives updates on the National Fraud Initiative (R280/17).</p> |
| <u>Risk Management</u> | |
| (5) To assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor risk to the achievement of objectives. | <p>A review of the Corporate Risk Register has been undertaken by CMT during 2017/18. The committee has received regular reports on updates to the CRR.</p> <ul style="list-style-type: none"> • Corporate Risk Register updates (R324/17, R403/17, R23/18) |
| <u>Internal Audit</u> | |
| (6) To approve the Internal Audit Charter. | Minor changes to the Charter approved Sept 2017 (R323/17) |

| Remit | Evidence |
|---|--|
| <p>(7) To consider and approve the risk based internal audit plan.</p> | <p>2017/18 plan approved March 2017 (R104/17). Revised plan approved June 2017 (R216/17) The 2018/19 plan was approved in April 2018 (R134/18).</p> |
| <p>(8) To consider reports from the Audit Manager on the internal audit activity's performance relative to its plan; the outcomes of internal audit reports; action plans and management response to recommendations.</p> | <p>An Internal Audit Update report is considered at each meeting of the committee. The report includes a section on outstanding audit recommendations. Work has been undertaken by management to address recommendations which were outstanding from audit reviews undertaken in previous years.</p> |
| <p>(9) To make appropriate enquiries of management and the Audit Manager to determine whether there are inappropriate scope or resource limitations.</p> | <p>No such limitations were reported during 2017/18. This will be formally confirmed in the Audit Manager's annual report for 2017/18, which will be submitted in June 2018.</p> |
| <p>(10) To receive the Audit Manager's annual report and opinion.</p> | <p>The 2016/17 annual report was received in June 2017 (R215/17). The annual report for 2017/18 will be submitted in June 2018.</p> |
| <p>(11) To advise the Council in matters relating to the programme of internal audit work and findings and recommendations from Audit Reports.</p> | <p>Council receives the minutes of each meeting of the Scrutiny & Audit committee. This Annual Report makes specific reference to internal audit work report makes specific references to audit reviews which resulted in limited assurance.</p> |

| Remit | Evidence |
|---|---|
| | The committee also approved the IJB Sharing of Audit Output protocol (R24/18) |
| <u>External Audit and other external agencies</u> | |
| <p>(12) To consider reports and plans presented by the External Auditor including the Annual Report to Members and the Controller of Audit.</p> <p>(15) To consider reports by external agencies insofar as they contribute to the overall assessment of governance, risk and internal control.</p> | <p>The External Audit Annual Plans for 2016/17 (R110/17) and 2017/18 were considered by the committee (R110/17 and R88/18)</p> <p>External Audit progress reports (R281/17 and R421/17) and the Annual Audit Report for 2016/17 (R320/17) were also considered. The Annual Audit report for 2017/18 will be submitted with the audited accounts in September 2018.</p> <p>The committee considered two Accounts Commission reports, Performance & Challenges 2017 (R220/17) and Financial Overview 2016/17.</p> |
| <u>Scrutiny – annual accounts and treasury management</u> | |
| <p>(13) to fulfil the duties of the Council for scrutiny and approval of the Council's Annual Accounts as required by the Local Authority Accounts (Scotland) Regulations 2014 as follows:-</p> <p>a) to consider the unaudited Annual Accounts as submitted to the auditor no later than 31st August immediately following the financial year to which the Annual Accounts relate; and</p> | <p>The unaudited accounts for 2016/17 were considered by the committee on 22 August 2017 (R277/17).</p> <p>The unaudited accounts for 2017/18 will be submitted in August 2018.</p> |

| Remit | Evidence |
|---|--|
| <p>b) to consider the audited Annual Accounts and aim to approve those accounts for signature no later than 30th September immediately following the financial year to which the accounts relate.</p> <p>(14) To scrutinise both treasury management strategy and performance prior to these matters being considered by the Council, subject to adherence to statutory timescales.</p> | <p>The audited accounts for 2016/17 were approved for signature on 26 September 2017. (R320/17) The audited accounts for 2017/18 will be submitted in September 2018.</p> <p>The Treasury Management Annual Report 2016/17 was considered by Council in October 2017 and by the Scrutiny & Audit Committee in November 2017 (R356/17)</p> <p>Treasury Management Strategy 2018/19 was reviewed by the Scrutiny & Audit committee on 6 March 2018, prior to approval by Council on 22 March 2018 (R87/18)</p> |
| <u>Performance</u> | |
| <p>(16) To review the performance and effectiveness of the standard and level of service provided by council services.</p> | <p>Reports considered by the committee include Transforming Angus update (R133/17); Workforce Data Report (R225/17); Annual Chief Social Work Officer report (R401/17) A Change Programme update report was submitted in April 2018 (R136/18).</p> <p>Internal and external audit reports also provide assurance.</p> |
| <u>Complaints</u> | |
| <p>(17) To review and oversee the operation of the council's complaints</p> | <p>The committee receives quarterly complaints statistics</p> |

| Remit | Evidence |
|--|--|
| <p>procedure.</p> <p>(18) To consider any report by the Scottish Public Services Ombudsman in respect of any finding of maladministration against the council.</p> | <p>reports and an annual complaints report (R282/17). Revised complaints handling procedures were also considered by the committee (R222/17)</p> <p>The committee receives regular reports on Complaints raised with SPSO (R223/17 and R399/17)</p> |
| <u>S&A Committee scrutiny reviews</u> | |
| <p>(20) To commission an annual programme of reviews of service performance and/or the implications of policy decisions subject to the latter not being undertaken until at least six months after implementation.</p> | <p>The committee agreed that no reviews would be undertaken in 2017/18 in view of the extensive change programme and the impact this will inevitably have on staff resources (R396/17)</p> <p>An update on actions from previous scrutiny reviews was considered in August 2017 (R279/17). At that time, all of the actions from four previous reviews had been completed. There were 5 outstanding recommendations, of which 4 had not yet reached the due date.</p> <p>A further update on the outstanding actions will be submitted in June 2018.</p> |
| <u>Police and Fire & Rescue Services</u> | |
| <p>(21) In relation to Police and Fire and Rescue Services, to consider and carry out the following actions:</p> <p>(i) approval of the Local Policing and Fire & Rescue Plans;</p> | <p>The Local Fire & Rescue Plan for Angus 2017 – 2020 was approved in September 2017 (R319/17)</p> |

| Remit | Evidence |
|--|---|
| (ii) monitoring and providing feedback on Local Policing and Fire & Rescue; (iii) scrutiny of local performance; (iv) making recommendations for improvements to Local Policing and Fire & Rescue; and (v) consideration of reports of Local Policing and Fire & Rescue matters | The committee receives quarterly updates from both Scottish Fire & Rescue and Police Scotland and officers from both forces attend the meetings. |
| <u>AHSCP / IJB</u> | |
| (22) To consider the progress of the Integration Joint Board in the delivery of the Strategic Plan biannually | AHSCP/IJB The Strategic Progress & Performance report for AHSCP/IJB for the year to 31 March 2017 was considered by the committee in August 2017 (R276/17) |
| <u>Angus Alive</u> | |
| (23) Without prejudice to the duties and responsibilities of the Communities Committee, to have oversight of the contract for the delivery of services by Angus Alive | Internal audit provide 50 days of work for Angus Alive. Reports are not submitted to the council's Scrutiny & Audit committee, but any serious issues would be brought to members' attention. |

Scrutiny and Audit Committee Annual Report 2017/18 Appendix B

Scrutiny & Audit Committee Action Plan 2018/19

| No | Action | Responsible Officer | Update at June 2018 |
|----|--|--|---|
| 1 | Assess members against the core knowledge and skills framework. Address any skills/knowledge gaps identified. | Manager – Governance, Risk & Scrutiny to progress with HR / OD | Cipfa's Audit Committee guidance has recently been revised. A report on the 2018 guidance will be submitted to the committee after the recess. The guidance includes a knowledge and skills framework for audit committee members. |
| 2 | Consider looking for feedback from the IJB re annual assurance letter provided. | | |
| 3 | Relationships between Council Scrutiny & Audit Committee and audit committees of partner organisations (e.g. IJB, AngusAlive) to be developed, including sharing of minutes and arranging for Chairs to meet periodically. | Convenor of Scrutiny & Audit Committee Committee Services | |
| 4 | Obtain further risk management training as risk management strategy develops. | | |
| 5 | Include Counter Fraud self-assessment as an appendix in the fraud report to committee in June 2018. | Manager – Governance, Risk & Scrutiny | Completed R202/18 to the committee on 19 June 2018 |

| No | Action | Responsible Officer | Update at June 2018 |
|----|--|---------------------------------------|---------------------|
| 6 | <p>Report to CMT to be prepared highlighting issues raised by Members during Scrutiny & Audit Committee self-assessment briefing:</p> <ul style="list-style-type: none"> • Ensure risk management issues are included in all relevant committee reports • Review how the committee is kept informed on the Change Programme to allow for more scrutiny of the higher risk areas • The committee would like to see better use of plain English in all committee reports. Consider improving the format of reports so that they are easier to read on screen. | Manager – Governance, Risk & Scrutiny | |