

## AGENDA ITEM NO 7

REPORT NO 287/19

### ANGUS COUNCIL

ANGUS COUNCIL – 5 SEPTEMBER 2019

#### SCRUTINY AND AUDIT COMMITTEE 2018/19 ANNUAL REPORT

REPORT BY MARGO WILLIAMSON, CHIEF EXECUTIVE

#### ABSTRACT

This report presents the Scrutiny and Audit committee 2018/19 annual report for comment and approval.

#### 1. RECOMMENDATIONS

It is recommended that the Council:

- (i) note the contents of the Scrutiny and Audit committee 2018/19 annual report (Appendix 1)
- (ii) determine whether any further detail or assurances are required from the Scrutiny and Audit committee
- (iii) approve the Scrutiny and Audit committee 2018/19 annual report

#### 2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

The work of the Scrutiny and Audit committee, summarised in the annual report, contributes to the achievement of the corporate priorities set out in the Local Outcomes Improvement Plan and the Council Plan.

#### 3. BACKGROUND

Guidance published by CIPFA in 2018 is accepted as best practice for local authority audit committees. CIPFA 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).

The first annual report from the Scrutiny and Audit committee was submitted to Council in September 2018.

#### 4. CURRENT POSITION

The annual report at Appendix 1 has been prepared to inform Angus Council of the work undertaken by the Scrutiny and Audit committee during 2018/19. It includes an action plan for 2019/20 and an update on the actions identified in last year’s annual report. The report concludes:

As convener of the Scrutiny & Audit Committee, I am satisfied that the work undertaken by the committee during 2018/19 provides reasonable assurance that the Council’s control environment and governance framework operated effectively and efficiently during 2018/19. Actions have been put in place to address any weaknesses identified and the committee will continue to monitor completion of these actions.

## **5. PROPOSALS**

Angus Council are asked to note the contents of the 2018/19 Annual Report, to determine whether any further detail or assurances are required from the Scrutiny and Audit committee and to approve the annual report.

## **6. FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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1. Scrutiny and Audit Committee Annual Report 2018/19

## Scrutiny and Audit Committee Report to Angus Council 2018/19

### Introduction

CIPFA 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 2018.) This report has been prepared to inform Angus Council of the work carried out by the Scrutiny and Audit committee during the period April 2018 to March 2019. 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’s remit is set out in Standing Orders. The committee’s remit was reviewed during 2018/19 and revised to ensure that it fully complies with best practice as set out in CIPFA guidance. The revised remit was included in Standing Orders, approved by Council at its meeting on 9 May 2019. (Report 146/19)

During 2018/19 the 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 C which shows the full remit as detailed in Standing Orders (2018), 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 met formally on seven occasions during the 2018/19 and all meetings were quorate (at least five members in attendance).

#### Scrutiny & Audit Committee Attendance 2018/19

Member	Expected attendances	No. of meetings attended	Nominated substitute attended
Cllr King (convener)	7	7	Blank
Cllr Duff (vice-convener)	7	7	Blank
Cllr Bell	7	7	Blank
Cllr Boyd	7	6	Blank
Cllr Braes	7	6	Blank
Cllr Brown	7	3	Cllr Stewart April 2018 and January 2019
Cllr Devine	7	7	Blank
Cllr Fairweather (to August 2018)	3	1	Cllr Fotheringham June 2018 Cllr Lumgair August 2018
Cllr Lawrie	7	6	Cllr Moore April 2018
Cllr McDonald	7	6	Cllr Durno November 2018
Cllr McLaren	7	7	Blank
Cllr Myles From September 2018	4	2	Cllr Wann November 2018
Cllr Salmond	7	6	Cllr Fotheringham August 2018
Cllr Whiteside	7	6	Cllr Durno April 2018

The Chief Executive, Strategic Directors, Head of Finance & Legal, Head of Strategic Policy and Public Sector Reform, Service Leader Internal Audit and Service Leader Legal & Democratic (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 attended meetings and spoke to their reports.

## Training

A wide range of briefings and other training was offered to elected members during 2018/19. Topics of particular relevance to the Scrutiny & Audit committee included

- Scrutiny & Audit committee self-assessment workshop
- Elected members development day
- General Data Protection Regulation
- Equalities
- Council plan
- Procurement
- Budget briefing

## Internal Audit

The Scrutiny & Audit committee takes assurance from internal audit on a wide range of issues and an update report from the Service Leader Internal Audit is considered at every committee meeting.

Four of the 2018/19 internal audit reviews resulted in only limited assurance over the controls.

- Stocks  
Reported to S&A 25 Sept 2018.
- Environmental Health, Consumer Protection and Food Safety Enforcement  
Reported to S&A 23 April 2019
- IT User Access Administration – ResourceLink  
Reported to S&A 18 June 2019
- School Funds Governance  
Reported to S&A 18 June 2019

Action plans have been agreed to address all of the identified issues and progress is monitored by Internal Audit and 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. A summary of the 2018/19 self-assessment scoring is set out below, with the 2017/18 scores shown for comparison. There are no areas where the assessment of effectiveness has reduced and several areas show an improvement.

Areas where the committee can add value by supporting improvement	2018/19	2017/18
Promoting the principles of good governance and their application to decision making	3	3
Contributing to the development of an effective control environment	4	4
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks. (2019/20 action plan, item 1)	2	2
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	3	2
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	3	3
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	3	2
Supporting the development of robust arrangements for ensuring value for money	3	2
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	4	3

Areas where the committee can add value by supporting improvement	2018/19	2017/18
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability. (2019/20 action plan item 2)	2	2

#### Self-assessment scoring

- 1 No evidence can be found that the committee has supported improvements in this area.
- 2 There is some evidence that the committee has supported improvements, but the impact of this support is limited.
- 3 The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
- 4 Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
- 5 Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.

The committee has used the self-assessment to develop an action plan for 2019/20, which is included as Appendix A to this report. Appendix B provides an update on the 2018/19 action plan.

#### **Conclusion**

As convener of the Scrutiny & Audit committee, I am satisfied that the work undertaken by the committee during 2018/19 provides reasonable assurance that the Council's control environment and governance framework operated effectively and efficiently during 2018/19. Actions have been put in place to address any weaknesses identified and the committee will continue to monitor completion of these actions.



Cllr A King  
Convener of the Scrutiny & Audit Committee

Date 16 August 2019

## Appendix A – Committee Action Plan 2019/20

No.	Action for 2019/20, identified at self-assessment workshop, March 2019	Responsible Officer	Update, June 2019
1	Obtain further risk management training as risk management strategy develops. (Brought forward from the 2018/19 action plan)	Manager Risk, Resilience & Safety / Risk & Insurance Officer	Blank
2	Report to CMT to be prepared highlighting issues raised by Members during Scrutiny & Audit Committee self-assessment workshop: <ul style="list-style-type: none"> <li>• Ensure risk management issues are included in all relevant committee reports</li> <li>• Review how the committee is kept informed on the Change Programme to allow for more scrutiny of the higher risk areas</li> <li>• Better use of plain English in all committee reports. Consider improving the format of reports so that they are easier to read on screen</li> <li>• Better transparency &amp; reporting to stakeholders</li> </ul> (Brought forward from 2018/19 action plan)	Manager Governance Risk & Scrutiny	Blank
3	Officers to draft a briefing paper on the roles of the Corporate Leadership Team and other groups.	Manager Governance, Risk & Scrutiny.	The briefing paper will be informed by an internal audit review to map the governance arrangements following recent changes to the management structure
4	Officers to circulate the CIPFA briefing on Annual Governance Statements.	Manager Governance, Risk & Scrutiny.	The <a href="#">CIPFA briefing</a> is now available on the elected members section of SharePoint.

## Appendix B – Updated 2018/19 Action Plan

No.	Action for 2018/19	Responsible Officer	Update at June 2019
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	Committee members have completed the knowledge and skills framework self-assessment included in CIPFA's Audit Committee guidance (2018).
2	Consider looking for feedback from the IJB re annual assurance letter provided.	blank	See action 3 below.
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	The Chairs of the Council Scrutiny & Audit committee and the IJB Audit committee have regular discussions.  From June 2019, the 'other reports' summary submitted to the Scrutiny & Audit committee includes a link to IJB Audit committee minutes.  Internal audit reviews of the Council's oversight of IJB and Angus Alive will be reported in June 2019.
4	Obtain further risk management training as risk management strategy develops.	Manager – Risk, Resilience & Safety	The new Risk Management Strategy was approved by the Policy & Resources committee in January 2019. Training for the Scrutiny & Audit committee is carried forward to the 2019/20 action plan – action 3.
5	Include Counter Fraud self-assessment as an appendix in the fraud report to committee in June 2018.	Manager – Governance, Risk & Scrutiny	<a href="#">R202/18</a> to the committee on 19 June 2018
6	Report to CMT to be prepared highlighting issues raised by Members during Scrutiny & Audit committee self-assessment briefing.	Manager – Governance, Risk & Scrutiny	Carried forward to 2019/20 action plan (action 4)

## Appendix C – review of remit

Numbers in brackets refer to the committee's remit as set out in Standing Orders 2018.

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"> <li>• Updated Local Code of Corporate Governance reviewed &amp; approved (<a href="#">R205/18</a>)</li> <li>• Corporate Governance review and draft Annual Governance Statement for 2017/18 (<a href="#">R206/18</a>)</li> </ul> <p>Similar reports will be submitted to the June 2019 meeting of the committee.</p> <p>Annual Governance Statement action plan update (<a href="#">R17/19</a>)</p> <p>Complaints raised with Commissioner for Ethical Standards in Public Life (<a href="#">R200/18</a>)</p> <p>Chair of Scrutiny &amp; Audit committee signed a letter of assurance to Angus IJB, confirming adequate &amp; effective governance arrangements during 2017/18. A similar letter was received from the Chair of the IJB's Audit committee. Assurance letters will again be exchanged for 2018/19.</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 &amp; Corruption Strategy, Fraud Response Plan and Whistleblowing Policy were reviewed by the Scrutiny &amp; Audit committee in November 2018 before being approved by the Policy &amp; Resources committee. (<a href="#">R363/18</a>)</p> <p>The committee receives twice yearly updates on Corporate Counter Fraud activity. (<a href="#">R202/18</a> &amp; <a href="#">R363/18</a>)</p> <p>The annual review for 2018/19 will be considered by the committee in June 2019.</p> <p>The 2017/18 annual review (<a href="#">R202/18</a>) 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 (<a href="#">R241/18</a>).</p>
<p><u>Risk Management</u></p> <p>(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>	<p>A revised Risk Management Strategy was approved by the Policy &amp; Resources committee in January 2019 (<a href="#">R27/19</a>) and reviewed by the Scrutiny &amp; Audit committee in March 2019 (<a href="#">R72/19</a>)</p> <p>Work is being undertaken to revise risk management guidance and update the Strategic</p>



Remit	Evidence
	Risk Register. An update was reported to the Scrutiny & Audit committee in June 2019. ( <a href="#">R193/19</a> )
<u>Internal Audit</u>	
<p>(6) To approve the Internal Audit Charter.</p> <p>(7) To consider and approve the risk based internal audit plan.</p> <p>(8) To consider reports from the Audit Manager (Service Leader) 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>(9) To make appropriate enquiries of management and the Audit Manager (Service Leader) to determine whether there are inappropriate scope or resource limitations.</p> <p>(10) To receive the Audit Manager's (Service Leader's) annual report and opinion.</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>Charter approved August 2018 (<a href="#">R239/18</a>)</p> <p>The 2018/19 internal audit plan was approved in April 2018 (<a href="#">R134/18</a>). Subsequent changes were approved through the Internal Audit update reports. The 2019/20 internal audit plan was approved in March 2019 (<a href="#">R71/19</a>).</p> <p>An Internal Audit Update report is considered at each meeting of the committee. The report includes a section on outstanding audit recommendations.</p> <p>No such limitations were reported during 2018/19. This will be formally confirmed in the Service Leader's annual report for 2018/19, which will be submitted in June 2019.</p> <p>The annual report for 2017/18 was received in June 2018 (<a href="#">R204/18</a>). The annual report for 2018/19 was submitted in June 2019. (<a href="#">R196/19</a>)</p> <p>Council receives the minutes of each meeting of the Scrutiny &amp; Audit committee. This Annual Report makes specific reference to internal audit reviews which resulted in limited assurance.</p>
<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 2017/18 (<a href="#">R88/18</a>) and 2018/19 (<a href="#">R77/19</a>) were considered by the committee.</p> <p>External Audit's Interim Management Report (R250/18) and the Annual Audit Report for 2017/18 (<a href="#">R303/18</a>) were also considered. The Annual Audit report for 2018/19 will be submitted with the audited accounts in September 2019.</p> <p>The committee considered a number of Accounts Commission reports:</p> <ul style="list-style-type: none"> <li>• National Scrutiny Plan 2018 (<a href="#">R131/18 App 1</a>)</li> <li>• Challenges and Performance 2018 (<a href="#">R131/18 App2</a>)</li> <li>• Angus Local Scrutiny Plan (<a href="#">R132/18</a>)</li> <li>• Councils' Use of Arms Length External Organisations (<a href="#">R243/18</a>)</li> <li>• Financial Overview 2017/18 (<a href="#">R18/19 App A</a>)</li> </ul>

Remit	Evidence
	<ul style="list-style-type: none"> <li>• Health &amp; Social Care Integration update (<a href="#">R18/19 App B</a>)</li> <li>• Withdrawal from the European Union (<a href="#">R18/19 App C</a>)</li> </ul> <p>The committee receives summaries of reports from the Care Inspectorate and Education Scotland. (<a href="#">R365/18</a> and <a href="#">R73/19</a>)</p>
<p><u>Scrutiny – annual accounts and treasury management</u></p>	
<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>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 unaudited accounts for 2017/18 were considered by the committee on 21 August 2018 (<a href="#">R247/18</a>).</p> <p>The unaudited accounts for 2018/19 will be submitted in August 2019.</p> <p>The audited accounts for 2017/18 were approved for signature on 25 September 2018. (<a href="#">R303/18</a>)</p> <p>The audited accounts for 2018/19 will be submitted in September 2019.</p> <p>Treasury Management Strategy 2019/20 was reviewed by the Scrutiny &amp; Audit committee on 5 March 2019, prior to approval by Council on 21 March 2019 (<a href="#">R74/19</a>)</p> <p>The Treasury Management Annual Report 2017/18 was reviewed by the Scrutiny &amp; Audit committee in September 2018 prior to submission to Council in October 2018. (<a href="#">R304/18</a>)</p>
<p><u>Performance</u></p>	
<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</p> <ul style="list-style-type: none"> <li>• Change programme update (<a href="#">R136/18</a>, <a href="#">R305/18</a>, <a href="#">R364/18</a>, <a href="#">R75/19</a>).</li> <li>• Workforce Data Report (<a href="#">R201/18</a>, <a href="#">R361/18</a>)</li> <li>• Council Plan Annual Report 2017/18 (<a href="#">R306/18</a>)</li> <li>• LOIP Annual Report 2017/18 (<a href="#">R307/18</a>)</li> </ul> <p>Internal and external audit reports also provide assurance.</p>
<p><u>Complaints</u></p>	
<p>(17) To review and oversee the operation of the council's complaints 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>The committee receives regular complaints statistics reports (<a href="#">R249/18</a>) and an annual complaints report (<a href="#">R248/18</a>).</p> <p>The committee receives reports on Complaints raised with SPSO (<a href="#">R199/18</a>)</p>

Remit	Evidence
<u>S&amp;A Committee scrutiny reviews</u>	
(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.	Parking Review commenced January 2019
<u>Police and Fire &amp; Rescue Services</u>	
(21) In relation to Police and Fire and Rescue Services, to consider and carry out the following actions: (i) approval of the Local Policing and Fire & Rescue Plans; (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 2018 was considered by the committee in September 2018 ( <a href="#">R300/18</a> ) A link to the mid-year report was provided in March 2019. ( <a href="#">R73/19</a> )  An internal audit review of the Council's oversight of the IJB was reported to the Scrutiny & Audit committee in June 2019. ( <a href="#">R195/19</a> )
<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 AngusAlive	The AngusAlive annual report for 2016/17 was considered in September 2018. ( <a href="#">R301/18</a> ). The 2017/18 Annual Report was considered in April 2019. ( <a href="#">R122/19</a> )  An internal audit review of the council's oversight of AngusAlive was reported to the Scrutiny & Audit committee in June 2019. ( <a href="#">R195/19</a> )