

## **ANGUS COUNCIL**

MINUTE of MEETING of the **SCRUTINY AND AUDIT COMMITTEE** held remotely on Thursday 24 September 2020 at 2.00pm.

**Present:** Councillors ALEX KING, BILL DUFF, JULIE BELL, BRIAN BOYD, KENNY BRAES, COLIN BROWN BEM, LYNNE DEVINE, DEREK WANN, MARK MCDONALD, IAN MCLAREN, BOB MYLES, MARK SALMOND and BETH WHITESIDE.

Councillor KING, Convener, in the Chair.

### **1. APOLOGIES/SUBSTITUTES**

An apology for absence was intimated on behalf of Councillor Ben Lawrie with Councillor Derek Wann substituting.

At this stage in the meeting, the Convener referred to Standards Commission correspondence dated 13 March 2015 which related to the granting of specific dispensations under the Councillors Code of Conduct for the appointment of elected members to Integration Joint Boards (IJB). He also raised the same question in terms of AngusAlive.

The Manager, Legal Team 1 in referring to the Standards Commission correspondence confirmed that members were not required to declare an interest in relation to their membership on Integration Joint Boards and that the same applied to health board membership. He intimated that he was not aware of dispensations being granted in terms of AngusAlive.

In reference to AngusAlive, Councillor Duff referred to recent legal advice received where it was considered that a general dispensation had been applied.

In terms of IJB and Health Board memberships, the Convener advised that it would be good practice for members to declare their interest at the meeting and that there would be no requirement to complete the form. In terms of the AngusAlive position, for members to declare their interest meantime and for the Clerk to seek further clarity regarding this matter and revert back in due course.

### **2. DECLARATIONS OF INTEREST**

Councillor Bell declared a non-financial interest in Item 7 (Report No 208/20) in that she was an elected/voting member of the Integration Joint Board. She indicated that she had a general dispensation and would participate in any discussion and voting on this item.

Councillors Devine and Duff declared non-financial interests in Item 7 (Report No 208/20) in that they were a Council appointed Board member of AngusAlive. They indicated that they would participate in any discussion and voting on this item.

Councillor Myles declared a non-financial interest in Item 7 (Report No 208/20) in that he was an elected/voting member of the Integration Joint Board and NHS Tayside Board. He indicated that he had a general dispensation and would participate in any discussion and voting on this item.

### **3. MINUTE OF PREVIOUS MEETING**

The minute of meeting of this Committee of 25 August 2020 was approved as a correct record and signed by the Convener.

### **4. INTERNAL AUDIT ACTIVITY UPDATE**

With reference to Article 6 of the minute of meeting of this Committee of 25 August 2020, there was submitted Report No 228/20 by the Service Leader - Internal Audit, providing the Internal Audit Activity update on the main findings of the Internal Audit Report issued since the date of the last meeting.

The Report indicated that due to the impact of Covid-19 on the ability to complete planned internal audit work and the change in risk assessments, a revised plan was being presented to this meeting, Agenda Item 5, Report No 229/20 refers.

The Audit Charter was normally reviewed annually. There has been no change in guidance relating to the Audit Charter and therefore it was proposed that the full review be delayed until after the conclusion of the external PSIAS quality review to allow for any actions from the review to be included in the Charter, as necessary.

The Scottish Housing Regulator had issued further adjustments to its regulatory approach in response to the Covid-19 pandemic. These changes included new guidance on completing Annual Assurance Statements and Business Planning, along with an extension to the deadline for submission of the Annual Assurance Statement from October to November 2020. There was also an extension to the deadlines for reporting to tenants and service users on performance (from October to December 2020). The Council's Housing service planned to report by the original deadlines.

Three Internal Audit Reports had been issued since the last meeting, these were in relation to:-

- Business Continuity Planning and Disaster Recovery
- Payroll – Leavers and Establishment Changes
- Covid-19 Food Fund - Emergency Cash Provision

The Report presented the progress with the Internal Audit activity within the Council up to 11 September 2020, provided an update on progress with the planned audit work and progress with implementing internal audit and counter fraud recommendations.

The Service Leader – Internal Audit provided an informative overview and highlighted the key areas of the Report including the impact of Covid-19 on the progress with the Internal Audit work, Audit Charter, update to the Scottish Housing Regulator's scrutiny arrangement and the Audit Scotland Publication – Covid-19 Guide for Audit and Risk Committee.

Councillor Wann requested further clarity in terms of the number of audit dates outlined as "tbc" in the Report and also regarding the whistleblowing disclosure. In response, the Service Leader – Internal Audit provided an update highlighting the impacts that Covid-19 had on officer capacity levels but that she expected some dates to be included in the next report due in December 2020.

Councillors Myles and Bell and the Chief Social Work Officer provided an update in response to Councillor Wann's question regarding the whistleblowing disclosure.

In response to Councillor Devine's query relating to whether community councils had been included in exercises carried out locally with other partners within the local resilience partnership, as detailed within the Business Continuity Planning and Disaster Recovery Audit, the Depute Chief Executive provided an update.

The Service Leader – Internal Audit and Director of Finance responded to questions from Councillors Devine and Myles in relation to the Covid-19 Food Fund – Emergency Cash Provision, in particular, relating to the fund procedures and the potential return of unused funds.

Councillor Whiteside commended the work of the team and enquired whether there was adequate resources. The Service Leader – Internal Audit provided an update. The Director of Finance provided assurances that resources were kept under review.

In reference to the Covid-19 Food Fund – Emergency Cash Provision Audit, Councillor Bell indicated that the figures provided did not signify the amount of food distributed over the Partnership. She was of the view that the information did not reflect the whole picture and indicated that she would seek to obtain further information as to the Third Sector spend and revert this back to members, for their interest, in due course.

The Convener requested that the Sharepoint link to the Audit Scotland Publication – Covid-19 Guide for Audit and Risk Committee be emailed to elected members.

The Committee agreed:-

- (i) to note the update on progress with the planned Internal Audit work;
- (ii) to note management's progress in implementing internal audit and counter fraud recommendations;
- (iii) that a full review of the Internal Audit Charter, usually undertaken annually, would be delayed until after completion of the external PSIAS compliance review, and that the three references in the footnote of the current charter would be updated from Audit Manager to Service Leader Internal Audit;
- (iv) to note the update to the Housing Regulator's scrutiny arrangements and the Housing Service's reporting intention, and
- (v) to note the Audit Scotland Covid-19 Guide for Audit and Risk Committees and that a further report on this would be brought to a future meeting.

## **5. COVID-19 UPDATE TO ANNUAL INTERNAL AUDIT PLAN 2020-21**

With reference to Article 10 of the minute of meeting of this Committee of 16 June 2020, there was submitted Report No 229/20 by the Service Leader - Internal Audit, submitting the Audit Manager's proposals for audit work during 2020/21 following disruption to the delivery of planned work due to the Covid-19 pandemic.

The Report indicated that in terms of the Public Sector Internal Audit Standards (PSIAS), the Service Leader – Internal Audit was required to set a risk-based audit plan sufficient to provide the required assurances to members and officers in relation to corporate governance, risk management and internal controls.

Appendix 1 to the Report provided an updated review and the Service Leader's proposed 2020/21 Internal Audit activity.

The Service Leader – Internal Audit provided an update in relation to the 2020-21 Audit Pool – Detailed Outputs and responded to questions from Councillor McDonald and the Convener in relation to the Asset Management Audit, in particular, the increased risk area – mobile sim cards, and in reference to Annex 1 – Summary of Corporate Risk Register.

The Committee agreed:-

- (i) to note that the proposed changes to work for 2020-21 had been developed using a risk-based approach; and
- (ii) to approve the proposed changes to the 2020-21 internal audit plan.

## **6. NATIONAL FRAUD INITIATIVE UPDATE**

With reference to Article 8 of the minute of meeting of this Committee of 19 November 2019, there was submitted Report No 230/20 by the Service Leader - Internal Audit advising members of the publication of Audit Scotland's Report, 'National Fraud Initiative 2018/19' and provided information on National Fraud Initiative (NFI) planning for 2020/21; and also provided a final update on the outcomes of NFI 2018/19.

The Report indicated that the National Fraud Initiative was a major counter-fraud initiative which used computer data matching techniques to detect fraud and error. The exercise was undertaken every two years and participation was compulsory for Scottish Local Authorities as part of their statutory audit.

The 'National Fraud Initiative 2018/19' Report was published on Audit Scotland's website in July 2020. Section 4.2 of the Report outlined the four recommendations as detailed in the national report and a summary of Angus Council's positions in relation to each of these recommendations.

Section 5 of the Report outlined the summary of national outcomes included within the national report, together with the corresponding figures for Angus Council. The 2020/21 NFI exercise was due to commence in the autumn 2020.

The Service Leader, Internal Audit provided an overview of the Report.

The Convener thereafter requested the Team Leader – Counter Fraud to provide further detail regarding the emerging fraud risks relating to Business Support Grants.

The Team Leader – Counter Fraud advised that there had been 25 suspected applications, 19 had not been paid as a result of being intercepted by the Council's revenue officers, 2 had been paid, but had been recovered as a result of bank intervention; and 4 had been successful with pay-outs totalling £52,500. He confirmed that Police Scotland had been informed.

Councillor Duff raised a question regarding financial liability and whether this would fall to Angus Council or Scottish Government, in response, the Director of Finance provided an update and intimated that he did not anticipate that Angus Council would be financially impacted.

Having heard from the Convener, the Committee agreed:-

- (i) to note the Audit Scotland report 'National Fraud Initiative 2018/19;
- (ii) to note the self-appraisal checklist, appended as Appendix 1 to the Report;
- (iii) to note the local outcomes from NFI 2018/19: £10,318 from overpaid housing benefit; £1,219 from incorrect council tax reduction; £13,000 from a duplicate payment; £7361 from overpaid Private Residential Home Care Payments; £10,924 from the Non-Domestic Rates pilot exercise and a notional value of £133,975 from cancelled Blue Badge permits;
- (iv) to note the continued participation of Angus Council in NFI; and
- (v) to request the Service Leader – Internal Audit, to report back to the Committee once the Business Support Grants investigation was concluded.

## **7. CHANGE PROGRAMME UPDATE**

With reference to Article 4 of the minute of the Policy and Resources Committee of 1 September 2020, there was submitted Report No 208/20 by the Director of Finance providing a progress update in relation to the Council's Change Programme, including the implications for the Change Programme emerging from the Covid-19 pandemic over the 3-year planning period (2020/21 to 2022/23).

The Report indicated that work would be progressed to further develop the Change Programme for the new 3-year planning period which would be introduced shortly through the annual update to the Council's Medium-Term Budget Strategy (MTBS). This would include investigating the potential for accelerating new opportunities which had emerged from the Covid-19 crisis, and how this could be used to shift plans (e.g. greater emphasis on Digital and Agile working). It would also focus attention on how Council plans were developing in relation to the four key areas of the next phase of transformation: demand management; innovation/commercialisation; partnership/ collaboration; and service contraction, all as set out in the Finance and Change Plan which was agreed in February 2020.

The Service Leader, Governance and Change provided an overview of the key areas of the Report and responded to Councillor Duff's questions regarding the significant impact that Covid-19 had on the Change Programme.

Councillor Bell, in reference to the table outlined in Section 4.5 of the Report, regarding the 2020/21 project jointly listed for AHSCP and AngusAlive, requested that future reports detail this information separately.

Having heard from the Convener, the Service Leader – Governance and Change confirmed that he would issue an email to members outlining the breakdown of the £4,702,000 savings.

The Committee agreed:-

- (i) to note the progress update in relation to the Council's Change Programme (2020/21 to 2022/23); and
- (ii) to note the updated savings to be delivered by the Change Programme (2020/21 to 2022/23) and the associated risks due to the pandemic.

*Councillor Brown left the meeting.*

## **8. TREASURY MANAGEMENT ANNUAL REPORT 2019/20**

With reference to Article 8 of the minute of meeting of Angus Council of 17 October 2019, there was submitted Report No 231/20 by the Director of Finance detailing the Council's treasury management arrangements, activity and performance during 2019/20, appending the Council's Treasury Management Annual Report 2019/20.

The Report indicated that 2019/20 had seen some significant events that impacted on treasury operations at both, a local and national level, both in year and going forward, these being Covid-19 pandemic; Public Works Loan Board (PWLB) Interest Rate Increase and Loans Fund Review.

In summary, as a result of sound treasury management activity, the Council was able to meet all of its financial obligations and cashflow requirements during the financial year, without encountering any liquidity problems.

The Director of Finance provided an overview of the significant events that had impacted on treasury operations and also highlighted a number of key areas of the Report. He also highlighted to members that a Treasury Management training session would take place, remotely, on 2 November 2020 and encouraged members to attend, as he considered this would be beneficial given the current environment.

Councillor Duff raised a question in terms of the introduction of a new International Financial Reporting Standard, (IRFS) 16 for leases including potential changes to the current common good arrangements, and whether there would be an opportunity for training to be provided to elected members, in future.

In response, the Director of Finance confirmed that the implementation of the new IFRS 16 had been delayed as a result of the pandemic and would now be implemented with effect from 1 April 2021. In highlighting the significant changes as a result of IFRS 16 and taking into account the recent court judgement and the need to review accounting policies, he confirmed that a briefing or training event for elected members would be arranged for early 2021.

Councillor Duff also raised a question in relation to the unexpected one percentage point increase to the interest rate for PWLB, and in response, the Director of Finance intimated that he would like to check the current position and revert back in due course. The Director of Finance responded to Councillor Duff's question in relation to the borrowing and investment position as detailed in Section 2.2, Table 1 of the Report.

Councillor Braes highlighted that there had been no variable rate borrowing undertaken in 2019 and 2020 as detailed in Table 1 of the Report and also requested clarity in relation to the Council's expenses in administering and managing the loans fund and the rate required to recover associated expenses from borrowing accounts. He also enquired as to the amount payable to Link Asset Services.

In response, the Director of Finance provided an overview and update regarding the variable rate borrowing position and in terms of the Council's expenses relating to administering the loans fund, he advised that the expenses incurred related to officer and treasury management advisers time in running the loans fund.

In terms of the amount paid to Link Asset Services, the Director of Finance indicated that he understood this to be between £15k to £20k but would clarify this and revert back to Councillor Braes in due course.

Councillor Myles in reference to debt repayments, welcomed the repayment of the mature debt in 2019/20.

Councillor Whiteside highlighted that there had been no new external borrowing undertaken during 2019/20 and raised her concern that as a Council there was an obligation to provide sustainable housing and schools. She emphasised the importance of expediting capital projects to get these back on target.

Councillor Boyd commended the Report.

The Director of Finance responded to Councillor Duff's question relating to Appendix 1 - Annex A - Angus Council External Investments, in particular, the investments with other local authorities.

The Committee agreed to note the 2019/20 Treasury Management Annual Report and associated Appendix to the Report.

## **9. REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 – ANNUAL REPORT**

With reference to Article 11 of the minute of meeting of this Committee of 3 March 2019, there was submitted Report No 235/20 by the Director of Legal and Democratic Services advising members of the use of surveillance powers by the Council in terms of the Regulation of Investigatory Powers (Scotland) Act 2000 in the period 1 April 2019 to 31 March 2020.

The Report indicated that Angus Council was a public authority for the purpose of the Regulation of Investigatory Powers (Scotland) Act 2000 ("RIP(S)A") and had the power to authorise directed covert surveillance and the use of covert human intelligence sources. Covert activities covered by RIP(S) A would be lawful if the activities were authorised and if they were conducted in accordance with the authorisation.

In the year to 31 March 2019, eight covert surveillance activities were authorised as detailed in Section 3 of the Report. There were no authorisations in respect of the use of Covert Human Intelligence Sources. For comparison purposes, the number of covert surveillance activities authorised in the previous three year period were:- 2016/17 – 3 (all directed surveillance); 2017/18 – None; and 2018/19 – 4 (all directed surveillance).

Having heard from the Manager, Legal Team 1, the Committee agreed:-

- (i) to note the requirements on the Council in respect of surveillance and other investigatory activities in terms of the Regulation of Investigatory Powers (Scotland) Act 2000;
- (ii) to note that eight authorisations were granted for surveillance and other investigatory activities regulated by the above Act in the year to 31 March 2020; and
- (iii) to note that Annual Reports on the use of surveillance and other investigatory activities regulated by the above Act would be submitted to this Committee.