

STIRLING COUNCIL

**MINUTES of MEETING of the AUDIT COMMITTEE held in the COUNCIL CHAMBERS,
OLD VIEWFORTH, STIRLING on THURSDAY 29 AUGUST 2019 at 10am**

Present

Councillor Neil BENNY (Convener)

Councillor Martin EARL
Councillor Graham HOUSTON
Councillor Graham LAMBIE

Councillor Alasdair MAJURY
Councillor Alasdair TOLLEMACHE

In Attendance

Moira Bilsbrough, Senior Internal Auditor (Governance)
Jim Boyle, Chief Officer – Finance
Lorna Cameron, Chief Officer – Housing
Stephanie Cameron, Licensing Team Leader (Governance)
Mark Henderson, Senior Media Officer (Strategic, Commissioning & Customer Development)
Kristine Johnson, Chief Officer – HR & OD
Kevin Kelman, Senior Manager – Schools & Learning (CEdO)
Steven MacDonald, Economic Growth Culture Tourism & Events Service Manager (Economic Development, Culture & Tourism)
Julia McAfee, Chief Officer – Governance
Isabel McKnight, Chief Officer – Strategic Commissioning & Customer Development
George Murphy, Accounting Operations Manager (Finance)
Kevin O’Kane, Audit Manager (Governance)
Scott Ross, Portfolio & Business Manager (Strategic Commissioning & Customer Development)
Angela Sneddon, Vulnerable Children Service Manager (Schools & Learning)
Chris Walsh, Throughcare Team Leader (Schools & Learning)
Karen Swan, Committee Officer (Governance) (Clerk)

Also Present

Paul Craig, Audit Scotland, External Auditor
John Cornett, Audit Scotland, External Auditor
Andrew Wallace, Audit Scotland, External Auditor

AC141 APOLOGIES AND SUBSTITUTIONS

Apologies were received on behalf of Councillor Alison Laurie. Councillor Graham Houston was in attendance as substitute for Councillor Laurie.

AC142 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC143 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

AC144 MINUTES – AUDIT COMMITTEE – 28 MAY 2019

Decision

The Audit Committee agreed to approve the Minutes of Meeting held on 28 May 2019 as an accurate record of proceedings.

AC145 ROLLING ACTION LOG

The Rolling Action Log was submitted for review.

Decision

The Audit Committee agreed to note the Rolling Action Log.

AC146 RISK MANAGEMENT

A report submitted by the Chief Officer – HR & OD submitted detailed the Strategic Risk Register, which enabled the Audit Committee Members to examine the Significant Risks facing the Council and the Risk Treatments put in place to reduce the risks.

The Strategic Risk Register contained 16 risk all which were currently being treated.

The Members raised concern that Risk Register detailed the highest risk of 25 for *“Health & Social Care Partnership – fails to deliver services within agreed budget specification or timescale”*. Members expressed that such a high risk should be escalated to a meeting of Stirling Council to allow All Members to be aware of the risk.

The Chief Officer – Finance confirmed that Health & Social Care Partnership were aware of the financial pressures and noted the mitigation actions that Stirling Council had identified were continuing to be worked through and monitored.

In response to Members questions, the Chief Officer – Governance confirmed that that Adult Social Care Panel was under review and the amended remit would be submitted within the Review of Governance Documents at the Meeting of Stirling Council on 3 October 2019. The proposed new remit for the Panel would focused on the Issue of Directions from the Integration Joint Board and the implementation within Stirling Council.

Members were also advised that a Members Briefing on the Clackmannanshire & Stirling Health & Social Care Partnership would be arranged prior to the Council meeting.

Members of the Audit Committee unanimously agreed that the report previously requested by Audit Committee on 28 May 2019 would be submitted to a Meeting of Stirling Council on 3 October 2019 and would include an overall appraisal of:-

1. Overall level of Risks detailed in the Strategic Risk Register (SR19); and
2. The level and mechanism for scrutiny in respect of the relationship between the Health & Social Care Partnership and Council.

In response to a Members question, the Chief Officer HR & OD confirmed that a meeting to review the recent flash floods had been recently held in Stirling. Also the MET office had met with officers and briefed them on the situation. The Convener thanked everyone who had worked so hard to rectify the impact of the floods.

Following a query about utility company repairs, it was agreed that the Land Services Manager would forward the Council process when dealing with Utility repairs.

Decision

The Audit Committee agreed to:

1. note the risks within the Strategic Risk Register (Appendix 1) with specific attention the scoring; and
2. note the strategic risks updates highlighted in paragraph 2.1 and the service risk register status update in paragraph 2.2 of the submitted report.

(Reference: Report by Chief Officer – HR dated 21 August 2019, submitted)

AC147 INTERNAL AUDIT PROGRESS REPORT

The Chief Officer – Governance submitted a report that presented the Audit Committee with an update on progress made against the Internal Audit Risk Assessment & Plan 2019/20 (including work brought forward from 2018/19 for completion) and detailed Internal Audit reports issued since the previous meeting of the Committee on 28 May 2019. Those reports were attached at Appendix 2 for consideration and scrutiny, along with a report on Rent Arrears (Housing & Homeless Accommodation) that was deferred at the meeting on 28 May 2019.

Four Internal Audit Summary reports were attached at Appendix 2 to the submitted report.

The Audit Plan Position Statement was attached at Appendix 3.

(a) Internal Financial Controls – Rent Arrears (Housing and Homeless Accommodation)

The scope of the review was performed under Internal Audit's programme of reviews of Internal Financial Control arrangements. The overall objectives of the audit of key financial systems were:

- to identify and agree with system owners a range of key financial controls for each system, which would be subject to audit review and testing;

- to perform relevant audit tests and apply sampling procedures, where necessary, to provide evidence of the existence and effectiveness of key financial controls; and
- to provide audit reports to the Corporate Management Team and the Audit Committee that contained an independent audit assurance opinion on the processes and key financial controls reviewed.

Fourteen High, three Medium and five Low risk actions were identified.

The Audit Opinion was that limited assurance could be given that the controls in place around the Council's housing and homeless arrears processes were appropriate and were being properly applied. The level of assurance in this case reflected the following risk findings:

- the recording of payment card details in a way that did not meet appropriate standards;
- the absence of appropriate arrangements for reviewing accounts that were in credit, and uncertainty concerning the accuracy of individual account balances due to unresolved issues relating to payments by DWP;
- absence of regular review of Northgate system user access rights, and existence of user accounts that were shared by groups of users, with shared passwords, and had access to sensitive data; and
- absence of procedures to approve, monitor and review accounts that were subject to payments arrangements.

It should be noted that Housing, reports that it had now completed 21 of the 22 actions agreed as part of this report. Those actions were now subject to Internal Audit's Action Tracking Verification process (not that 12 of the actions were reported as complete at 31 March 2019, and were covered by the Action Tracking Verification Report 2018/19, reported to Audit Committee on 29 August 2019).

(b) Action Tracking Verification Report 2018/19

The scope of the report was to perform verification work in respect of 33 of the 70 actions that services had declared as being completed in the period April 2018 to March 2019. The actions covered 18 audit reports across the council and 20 high, 9 medium and 4 low priority actions were tested.

The Audit opinion was that substantial assurance could be given that services were accurately reporting the completion of audit actions. Also the current arrangements for follow-up of audit reports remain effective.

(c) Civic Licensing

The scope of the review covers the Council's arrangements, as a licensing authority, for processing, determining, granting and enforcing compliance with conditions in respect of licenses under the Civic Government (Scotland) Act 1982. The scope specifically excluded the arrangements for gambling and alcohol licenses, which were subject to separate legislative provisions under the Gambling

Act 2005 and Licensing (Scotland) Act 2005, respectively. The specific objectives of the review were to consider:

- license application determined by Officers and by the Planning & Regulation Panel (under delegated powers) and whether these had been properly processed in accordance with the Act and the Council's powers;
- the arrangements for receiving, processing, recording, banking and receipting fees for application and associated services provided by the Council and the robustness of these arrangements;
- whether the Council had appropriate arrangements in place to maintain relevant records, and to publish a register to meet the requirements of the Act;
- the information and data sharing arrangements between the Council and Police Scotland for licensing applications, compliance with data protection legislation, and the proper discharge of their statutory functions and powers under the Act; and
- the arrangements in place to identify any non-compliance by license holders with relevant licensing conditions and to enforce those conditions in line with legislation and Council policy.

Five Medium, eight Low and two Advisory risk actions were identified.

The Audit Opinion was that substantial assurance could be given that, as a licensing authority, the Council had arrangements in place that were robust and were operating effectively for processing, determining, granting and enforcing compliance with the conditions of licenses issued under the Civic Government (Scotland) Act 1982.

(d) Throughcare and Aftercare

The scope and objectives of the review were to consider whether:

- arrangements in place for young people supported by the throughcare and aftercare team were consistent with legislation and related guidance;
- there was appropriate management information, to monitor, review and effectively manage the process for throughcare and aftercare support;
- there were adequate arrangements in place to ensure young people had appropriate accommodation and support to enable this; and
- the Council's arrangement for financial support were in place, including the timely payment of allowances.

Two Medium, seven Low and one Advisory risk actions were identified.

The Audit opinion was that substantial assurance could be given that the arrangements in place for the provision of a throughcare and aftercare service were robust and were operating effectively, and were consistent with legislation and related guidance.

Decision

The Audit Committee agreed to:

1. note the findings, risks, recommendations and statements of assurance set out in the Internal Audit reports at Appendix 2 to the submitted report; and
2. note progress made on the Internal Audit Risk Assessment & Plan 2019/20, as set out in the Position Statement at Appendix 3 to the submitted report.

(Reference: Report by Chief Officer – Governance dated 21 August 2019, submitted)

AC148 STIRLING COUNCIL AUDITED ACCOUNTS 2018/19

A report submitted by the Chief Officer – Finance outlined the key features of the financial position displayed in the 2018/19 audited accounts, incorporating a brief overview of the General Fund and HRA revenue and capital outturn positions. It also asked the Audit Committee to consider the Auditor's Final Report on the Accounts which were the subject of a separate report on the Audit Committee agenda, and to approve for signature the audited Stirling Council Accounts for the year ended 31 March 2019.

The Council's External Auditors, Audit Scotland, had certified Stirling's Council's Accounts for the year to 31 March 2019.

The Local Authority Accounts (Scotland) Regulations 2014 required either the Council or a committee of the Council charged with audit or governance to approve the audited Accounts for signature by the recommended deadline of 30 September 2019.

The Committee wished to pass thanks to the service for the early intervention work in relation to child residential placements.

Decision

The Audit Committee agreed to:

1. note the Auditor's Final Report on the Accounts which was the subject of a separate report on the Audit Committee agenda; and
2. approve for signature the audited Stirling Council Accounts for the year ended 31 March 2019.

(Reference: Report by Chief Officer – Finance dated 21 August 2019, submitted)

AC149 ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE AND THE CONTROLLER OF AUDIT FOR FINANCIAL YEAR ENDED 31 MARCH 2019

A report submitted by the Chief Officer – Finance detailed the International Standard on Auditing (UK and Ireland) 260 (ISA 260) that required auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

The Council was required to provide an ISA 580 Letter of Representation to the Auditor as part of audit procedures prior to the signing of the financial statements.

Decision

The Audit Committee agreed to:

1. note the content of the Independent Auditor's Report;
2. approve the content of the ISA 580 Letter of Representation;
3. note the significant audit findings within Exhibit 3 (pages 11-13) of the proposed Annual Audit Report; and
4. note the recommendations for improvement and the follow up on prior year recommendations within Appendix 1 (pages 36 - 39) of the proposed Annual Audit Report.

(Reference: Report by Chief Officer - Finance dated 21 August 2019, submitted)

AC150 COMMON GOOD FUNDS & CHARITABLE TRUSTS AUDITED ACCOUNTS 2018/19

The Chief Officer – Finance submitted a report that asked the Audit Committee to consider the Auditor's Final Report on the Common Good Funds and Charitable Trusts Accounts which were the subject of a separate report on the Audit Committee agenda, and to approve for signature the audited Common Good Funds and Charitable Trusts Accounts for the year ended 31 March 2019.

The Council's External Auditors, Audit Scotland, had certified the Accounts for the year to 31 March 2019 of the Stirling, Bridge of Allan, Callander and Dunblane Common Good Funds, the Dunblane Cemetery Memorial Garden (Maintenance) Trust and a further 10 small Charitable Trust.

The Local Authority Accounts (Scotland) Regulations 2014 required either the council or a committee of the Council charged with audit or governance to approve the audited Accounts for signature by the recommended deadline of 30 September 2019.

Decision

The Audit Committee agreed to:

1. consider the Auditor's Final Report on the Common Good Funds and Charitable Trusts Accounts which was the subject of a separate report on the Audit Committee agenda; and
2. approve for signature the audited Common Good Funds and Charitable Trusts Accounts for the year ended 31 March 2019.

(Reference: Report by Chief Officer – Finance dated 21 August 2019, submitted)

AC151 CHARITABLE TRUSTS ADMINISTERED BY STIRLING COUNCIL - REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2018/19 AUDIT

A report submitted by the Chief Officer – Finance detailed that the International Standard on Auditing (UK and Ireland) 260 (ISA 260) that required auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

An audit was required for all registered charities where the local authority was the sole trustee, irrespective of the size of the charity. It was due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006. The auditor of Stirling Council, Audit Scotland, had been appointed as the auditor of the relevant trusts.

Decision

The Audit Committee agreed to:

1. note the content of the ISA 260 report; and
2. approve the content of the ISA 580 Letter of Representation.

(Reference: Report by Chief Officer – Finance dated 21 August 2019, submitted)

AC152 STIRLING COUNCIL EARMARKED RESERVES AS AT 31 MARCH 2019

A report submitted by the Chief Officer – Finance provided detailed breakdown of the individual balances contained within the Council's earmarked reserves as at 31 March 2019 and the reasons for holding them.

In Scotland there were explicit statutory powers that required local authorities to maintain a General Fund (section 93 of Part VII of the Local Government (Scotland) Act 1973). These powers also permit local authorities to ' earmark ' specific parts of the General Fund reserve. The earmark of a proportion of the General Fund was referred to as Earmarked Reserves.

The level of earmarked reserves held by Stirling Council as at 31 March 2019 increased by £1.660m in 2018/19 from £17.611m to £19.271m.

In response to Members request for clarity, the Senior Manager – Infrastructure confirmed that relevant Senior Managers/Chief Officers would clarify the specific funding for Tobacco Testing/ Severe Winter Weather Pothole Repair and Intelligent Street Initiatives.

Following discussion on the individual earmarked reserves the prospect that the reserves could be utilised for projects that could reduce the budget deficit was raised. Members of Committee proposed that the earmarked reserves, detailed in Appendix 1 to the report, should be reviewed by services, and where applicable, a report submitted to the parent Committee(s).

Also Members agreed that an annual earmarked reserves update report would be submitted to Audit Committee.

Decision

The Audit Committee agreed to:

1. note the individual balances held within the Council's earmarked reserves as at 31 March 2019 and the reasons for holding them;
2. that services review the earmarked reserves (attached as Appendix 1 to the submitted report) and, where applicable, submit relevant reports to the parent Committee(s); and
3. that an update report on Earmarked Reserves to be submitted annually.

(Reference: Report by Chief Officer – Finance dated 21 August 2019, submitted)

AC153 SETTLEMENT AGREEMENTS

The Chief Officer – HR & OD submitted a report to Committee with information on the use of Settlement Agreements or sometimes referred to as Non-disclosure Agreements in agreeing the mutual termination of an employment contract.

Decision

The Audit Committee agreed to note the report.

(Reference: Report by Chief Officer – HR dated 21 August 2019, submitted)

AC154 AUDIT SCOTLAND BEST VALUE ASSURANCE REPORT AND IMPROVEMENT ACTION PLAN

A report submitted by the Chief Officer – Strategic Commissioning & Customer Development that presented the improvement action plan that had been developed to implement the recommendations presented in the Stirling Council Best Value Assurance Report (BVAR) prepared by Audit Scotland, April 2019.

Audit Scotland was a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. They help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

At least once every 5 years, Audit Scotland would produce a Best Value Assurance Report (BVAR) on each Scottish Council. It would draw on all of the audit and scrutiny work undertaken to date at a council. The report would summarise the evidence, given judgements on how effectively each Council was delivering Best Value. The scope of each BVAR would be different and focused on the key priority activities and risks in the particular council.

During October to the end of November 2018, Audit Scotland carried out Best Value review of Stirling Council.

Following a Members' question, the Chief Officer – Governance confirmed that the Council cannot enforce mandatory training, although could compel Elected Members to attend.

Decision

The Audit Committee agreed:

1. to note the ten recommendations presented in the Stirling Council Best Value Assurance Report (BVAR) prepared by Audit Scotland, April 2019. The recommendations were provided at section 2.2 of the report and the full BVAR was included as Appendix 1 to the submitted report;
2. to note the improvement action plan that has been developed to implement the recommendations in the Stirling Council BVAR, which was included as Appendix 2 to the submitted report; and

3. to note that 6-monthly updates on the progress made towards achievement of the improvement actions would be provided to future meetings of Stirling Council and Audit Committee.

(Reference: Report by Chief Officer – Strategic Commissioning & Customer Development dated 21 August 2019, submitted)

The Convener declared the Meeting closed at 12.05pm.