

STIRLING COUNCIL

MINUTES of MEETING of the AUDIT COMMITTEE held via MICROSOFT TEAMS on THURSDAY 27 MAY 2021 at 10am

Present

Councillor Neil BENNY (Convener)

Councillor Martin EARL

Councillor June Hutchison (Substitute)

Councillor Alison LAURIE

Councillor Alasdair TOLLEMACHE

In Attendance

Jim Boyle, Chief Officer - Finance

Charlotte Brown, Graduate Planning Officer - Infrastructure

Stephen Clark, Chief Officer - Housing

Christina Cox, Service Manager - Planning & Building Standards

Linda Devine, Senior Accountant - Finance

Jim Dickie, Team Leader - Resilience and Risk - HR&OD

Graham Gibson, Senior Media Officer

Carol Herity, Customer Services & Relationships Manager, Customer Service and Improvement

Drew Leslie, Senior Manager - Infrastructure

Graham Lyle, Digital, IT and Customers Manager - Communities and Performance

Steven MacDonald, Economic Team Leader - Economic Development & Communities

Julia McAfee, Chief Officer - Governance (Clerk)

Steven McDermott, Senior Internal Auditor - Governance

Isabel McKnight, Chief Operating Officer - Communities & Performance

Sheila McLean, Governance Officer - Governance

Kirsty McLeod, Fleet Manager - Environment & Place

Bryony Monaghan, Interim Head of Education - Schools, Learning & Education

George Murphy, Accounting Operations Manager - Finance

Gordon O'Connor, Audit Service Manager - Governance

Bruce Reekie, Senior Manager - Environment & Place

Marie Valente, Senior Manager - Children and Families

Mary Love, Committee Officer - Governance (Minute)

Also Present

Adam Haahr, Audit Scotland, External Auditor

Recording of Meeting started

Prior to the commencement of business, Councillor Benny, as Convener of the Audit Committee, welcomed and thanked everyone for attending the meeting via MS Teams. A statement was read to the meeting, providing detail on the procedures related to MS Teams and the protocols that both Members and Officers should adhere to throughout the meeting.

The Convener asked the Clerk to carry out a roll call of all Members participating in the meeting.

AC214 APOLOGIES AND SUBSTITUTIONS

Apologies were received on behalf of Councillor Alastair Majury.

Councillor June Hutchison was in attendance as substitute for Councillor Majury.

AC215 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC216 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

AC217 MINUTES – AUDIT COMMITTEE

The Minutes of the Audit Committee held on 28 January 2021 were submitted for approval.

Decision

The Audit Committee agreed to approve the Minutes of Meeting held on 28 January 2021 as an accurate record of proceedings.

AC218 ROLLING ACTION LOG

The Rolling Action Log was submitted for review.

Decision

The Audit Committee agreed to:

1. note the Rolling Action Log; and
2. remove item number AC172, as action now completed.

AC219 RISK MANAGEMENT – STRATEGIC RISK REGISTER

A report by the Chief Officer, HR & OD summarised the Strategic Risk Register, enabling Audit Committee members to examine the significant risks facing the Council and the risk treatments put in place to reduce the risks.

A detailed discussion took place regarding the risks within the register and it was agreed that a meeting would be arranged between the Chief Operating Officer, Communities & Performance, the Senior Manager, Economic Development & Communities and all Elected Members, to provide more information on SR27 “*Lack of appropriate engagement with Communities*” in order to gain a better understanding of the logic around the risk levels.

Decision

Committee agreed to note the risks within the Strategic Risk Register with specific attention to the scoring contained within Appendix 1.

(Reference: Report by Chief Officer – Finance dated 17 May 2021, submitted)

AC220 INTERNAL AUDIT UPDATE REPORT

A report by the Audit Service Manager provided a summary of the findings arisen from Internal Audit assignments finalised since the last meeting of the Audit Committee on 28 January 2021.

(a) Summary Report: Internal Financial Controls – Fuel Cards

This review was performed under Internal Audit’s programme of reviews of Internal Financial Controls arrangements.

The specific objectives of the review were to consider whether:

- fuel cards were ordered and issued only to bona fide staff or for vehicles in the Council;
- there were adequate controls in place for the security and use of fuel cards;
- the controls over lost and / or stolen fuel cards were operating effectively and ensure that fuel cards were returned, cancelled, or destroyed promptly when employees leave the Council or when the linked vehicles were withdrawn from the fleet; and
- appropriate and timely management information was provided to Fleet Management and to Services to support effective management, monitoring and control of fuel costs and the payment of fuel invoices.

Three high and five medium risks were identified.

The Audit Opinion was that substantial assurance that the controls in place around the Council’s administration and management of fuel cards were appropriate and were being properly applied.

(b) Parent and Family Support

As part of the approved Internal Audit Risk Assessment & Plan for 2020/21, the arrangements in respect of support provided to parents and families by the dedicated team within Schools and Learning were reviewed.

The specific objectives of the review were to consider whether, in terms of support to parents and families:

- there was an adequate process to enable referrals to be received, recorded, assessed, prioritised and accepted, where appropriate;
- appropriate arrangements were in place to monitor and manage referrals, including processes to review and evaluate the effectiveness of any support provided;
- the structure, resources, and management capacity of the Parent & Family Support Team could effectively meet the demand for services and the provisions of the Parent and Family Support Guidelines; and
- the operational activity and performance of the Parent & Family Support Team was reported effectively to Service management, including any relevant internal performance measures.

Two medium and two low risks were identified.

The Audit Opinion was that substantial assurance could be provided that the arrangements were robust and were operating effectively in respect of support provided to parents and families by the dedicated team within Early Years and Early Intervention.

(c) Planning - Development Management

As part of the approved Internal Audit Risk Assessment & Plan for 2020/21, arrangements were reviewed in respect of the Council's arrangements for (planning) development management, in particular whether the Council:

- had an appropriate system for recording planning applications and related documentation and decisions, which ensured completeness, and accuracy of records and complied with appropriate data protection practice;
- had an adequate and effective process for ensuring that development management was performed in a timely manner in accordance with appropriate standards;
- had an adequate and effective process for ensuring that all planning decisions were properly cognisant of Local Development Plan requirements and applicable legislation;
- had appropriate arrangements to manage 'section 75' developer contributions, linking with other Council services as appropriate; and,
- had appropriate arrangements in place for reporting effectively to Members and senior management on performance against key indicators.

Two medium and two high risk levels were identified.

Audit opinion was that substantial assurance could be provided that the arrangements in place for development management as part of the planning process were robust and were operating effectively and met the requirements of the Local Development Plan.

(d) Internal Financial Controls – Client Contributions

The scope of work was to conduct a review of the arrangements for determining, recording, processing, reviewing, and collecting from service users the assessed financial contributions to their non-residential care, under the Council's 'Charging Policy'.

The specific objectives of the review were to:

- consider whether the Charging Policy supports and enables the Council to properly charge for non-residential care services under relevant legislation and / or any Scottish Government national arrangements or policy;
- consider whether adequate procedures were in place to provide assurance that:
 - financial assessments are timely, correctly calculated, evidenced, and recorded, as required by the Charging Policy;
 - service users' assessed contributions were properly and timeously invoiced and paid, and that appropriate recovery action was taken where payment had not been made;
 - financial assessments were reviewed at least annually, and at any time when there had been any relevant change in the financial circumstances of a service user; and
- assess whether roles and responsibilities were clearly defined and were operating for each stage of the process, and that they supported the objectives of the Charging Policy.

Three high, 6 medium and 6 low risks were identified.

Audit opinion was that substantial assurance could be provided that the arrangements for determining, processing, reviewing, and collecting service users' contributions for their non-residential care charges were operating effectively

(e) ICT Service Desk Management

The scope of work was to conduct a review of the Council's ICT Service Desk incident and problem management frameworks and procedure.

The specific objectives of the review were to assess whether:

- adequate and effective ICT Service Desk incident and problem management frameworks and procedures had been established, and that the role and operation, and how to access the IT Service Desk, had been properly communicated across the Council;
- adequate and effective arrangements were in place to regularly review and update the relevant frameworks and procedures, and whether these clearly defined officers' roles and responsibilities for managing the service desk, incidents, and problems, in line with the IT Strategy;
- adequate and effective arrangements were in place to allow the accurate capture, recording, and monitoring of Service Desk requests, incidents, and problems, and that these supported appropriate and timely resolution, in line with performance standards and targets; and
- potential opportunities exist to improve the current operating environment of the ICT Service Desk, and to inform the Council's migration to its new Service Desk and Incident Management software, to maximise the benefits from that transition.

One high, two medium and six low risks were identified.

Audit opinion was that substantial assurance could be provided that the Council had in place robust and effective arrangements for dealing with ICT service requests and for the management of ICT incidents and issues.

Discussion took place around the summary reports attached to the report and it was noted that an extension date from 31 March 2021 to 31 December 2021 had been agreed for storage of Council vehicle packs, as reception areas were currently not in use at present, due to COVID-19 restrictions.

A report had been sent to Internal Audit with regard to the loss of fuel cards and the content had been agreed and would be kept open for the next six months.

The process for retrieving purchase cards when staff left their employment with Stirling Council was discussed. It was noted that a fluid system was not in place at this stage with regard to maintaining the type of cards Council staff were in possession of. However, a report was scheduled for presentation to a Special Meeting of the Council, which would seek approval from Council to purchase and implement an Enterprise Resource Planning System (ERP) solution to replace the current Finance, Procurement, HR, Payroll and CRM systems within the Council, which would then make the current process more linear.

In response to a Member's question around Section 75 unspent monies, it was noted that the service were looking at areas where this could be spent, such as infrastructure projects. Members noted that, going forward, it would be advantageous to have a mechanism in place to enable Members to view the level of transparency in reporting. The Service Manager, Building and Standards informed the group that the Planning Service was aware of the need to improve transparency around this area of work and noted that a working group was currently in place, which liaised with other services within the Council. The Planning service were considering wider governance, in terms of presenting a quarterly report to the Organisational Governance Board followed by an annual report to the Finance & Economy Committee and consideration would also be given to including this information as part of the Capital Programme for the year.

The service had reported significant pressure in terms of IT issues but it was noted that additional resources had been recruited and the service was confident that the target dates mentioned within the report would be achieved. Members discussed ICT Service Desk Management and welcomed the recently appointed Digital, IT and Customers Manager to the meeting.

Decision

Committee agreed to note the findings and conclusions arising from Internal Audit assignments completed since 28 January 2021.

(Reference: Report by Audit Service Manager dated 28 April 2021, submitted)

AC221 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2020-2021

A report by the Audit Service Manager provided an overall assurance on the Council's arrangements for risk management, governance and control, based on Internal Audit work undertaken during 2020/21.

The 2020/21 Internal Audit Plan was agreed by Audit Committee on 18 June 2020. The Plan set out a programme of work for the year, prepared in consultation with senior managers, and with recourse to key governance documents such as the Council's Strategic Risk Register and Internal Audit's own assessment process.

Members noted the recommendations within the report and no further questions were presented.

Decision

Committee agreed to note that:

1. sufficient Internal Audit work was undertaken to support a balanced assurance;
2. the Audit Service Manager provided Substantial Assurance on the Council's arrangements for risk management, governance, and control for 2020/21; and
3. the Internal Audit team operated in compliance with Public Sector Internal Audit Standards.

(Reference: Report by Audit Service Manager dated 23 April 2021, submitted)

AC222 INTERNAL AUDIT PLAN 2020/21

A report by the Audit Service Manager presented a 2021/22 Internal Audit Plan for approval. The Plan included time allocated to finalising a number of 2020/21 assignments that were started, but not concluded, by 31 March 2021.

The Audit Service Manager highlighted that there were 5 audits within the appendix to the report, which were carried forward from the previous year and were; Professional Registrations, Additional Support Needs, Justice Social Work, Homelessness and Temporary Accommodation and Cemeteries. Updates on this Plan would be brought to future meetings of the Audit Committee.

Decision

Committee agreed to:

1. note the resources available to Internal Audit;
2. approve the Internal Audit Plan for 2021/22; and
3. note that progress will be reported to Audit Committee on an ongoing basis.

(Reference: Report by Audit Service Manager dated 22 April 2021, submitted)

AC223 CORPORATE FRAUD PLAN 2021/22

The purpose of the report by the Audit Service Manager was to set out the Corporate Fraud team's planned activity for 2021/22. Corporate Fraud sat within the Governance Service as part of the Internal Audit and Corporate Fraud team, and this report was considered alongside the 2021/22 Internal Audit Plan that was included elsewhere on this agenda.

Discussion took place regarding fraud investigation referrals and it was noted that a programme of Toolbox talks were in place, with a view to the Audit team liaising with other services and hard to reach areas of the Council to talk about the impact of fraud on Stirling Council. It was recognised that this would be an important step in helping services work proactively to reduce their exposure to fraud.

In response to a Member's question, it was noted that all actions on the Counter Fraud workplan with a completion date of 30 April had been met and that this had not been updated due to a timing issue when the report was prepared for Committee. It was hoped that all actions set out for May 2021 would be met on time and this information would be included in the report being presented to Audit Committee in September

2021. Members commented that it would be advantageous to have the outcomes included alongside the report of the actions being completed going forward.

In response to a Member's question on the relationship between reporting fraud and whistleblowing, in terms of the Council's policies, it was noted that a key part of the Audit team's workplan was to ensure that the distinctions and responsibilities around whistleblowing, fraud and disciplinary matters were clear to staff. The Audit team were in the process of developing a counter fraud strategy which would be supported with detailed guidance notes and process maps. The service would be liaising with colleagues in HR & OD and across Governance to ensure clarity around the policies associated with these matters.

Decision

Committee agreed to note the Corporate Fraud Plan 2021/22.

(Reference: Report by Audit Service Manager dated 22 April 2021, submitted)

AC224 ACCOUNTS COMMISSION REPORTS

The purpose of the report by the Audit Service Manager was to provide the Audit Committee with information on the Accounts Commission's national reports entitled 'Digital Progress in Local Government' and 'Local Government in Scotland – Financial Overview 2019/20'. Presentation of Accounts Commission national reports enabled the Audit Committee to discharge its remit under the Council's Scheme of Delegation to consider the reports of external audit and inspection agencies.

A briefing session was being planned for Members to present the Digital Scotland Report and it was noted that it would also be useful at this session to discuss what Stirling Council was doing to involve citizens in service design.

Decision

Committee agreed to note the Accounts Commission's national reports: 'Digital Progress in Local Government' and 'Local Government in Scotland – Financial Overview 2019/20'.

(Reference: Report by Audit Service Manager dated 30 April 2021, submitted)

AC225 STIRLING COUNCIL DRAFT ACCOUNTS 2020/21

A report by the Chief Officer, Finance outlined the key features of the financial position displayed in the 2020/21 draft accounts, incorporating a brief overview of the General Fund and Housing Revenue Account (HRA) revenue and capital outturn positions as at 31 March 2021. It also asked the Audit Committee to approve the submission of the draft Stirling Council Accounts to the external auditor.

The Chief Officer, Finance highlighted that two updates had recently been received and would be included in the draft Stirling Council Accounts to the external auditor, which were; a revised pension valuation figure, which included figures up to 31 March 2021 for liability, which had reduced to £313.9m and a revised figure for Clacks & Stirling Health & Social Care Partnership, which had changed in total by £0.5m.

Discussion took place regarding financial losses to Stirling Council, which were from a wide range of headline numbers and it was noted that a more detailed report would be presented to Finance & Economy Committee in June 2021 would contain more detail with regard to wider revenue impacts.

Discussion took place around the Management Commentary within the draft accounts and it was agreed that the total number of Elected Members was to be amended to 22 and the numbers against each party to also be amended, where applicable.

In response to a Member's question on loss of income from Council Tax, a full reconciliation of council tax collection and a reduction in the collection rates was noted. Also noted was an increase in incidences of council tax reduction scheme claims. It was estimated that COVID-19 was a large contributory factor for non-payment of council tax from tax payers but this could not be guaranteed as factual.

Concerns were noted from Members in terms of the financial ramifications from the large increase in employees earning over £50k. It was noted that this was due to the agreed teachers' pay deal two years ago, which took staff above the threshold in terms of the remuneration band. A 12% increase in annual pay award was also noted to be a contributory factor.

Decision

Committee agreed to:

1. note the General Fund and HRA revenue and capital outturn positions as at 31 March 2021;
2. note the position in terms of the Council's share of the net pension liability of the Local Government Pension Scheme; and
3. approve the submission of the draft accounts to the external auditor.

(Reference: Report by Chief Officer - Finance 17 May 2021, submitted)

AC226 COMMON GOOD FUNDS & CHARITABLE TRUSTS DRAFT ACCOUNTS 2020/21

A report by the Chief Officer, Finance asked the Audit Committee to approve the submission of the draft accounts for audit, and to note progress to date on the review of the small charitable trusts.

It was noted that one outstanding trust, George C. Thomson Bequest, which was closely related to Callander, was fully expected to go to the Callander Common Good Fund.

Decision

Committee agreed to:

1. approve the submission of the draft accounts to the external auditor, and
2. note progress to-date on the review of the small charitable trusts.

(Reference: Report by Chief Officer - Finance 4 May 2021, submitted)

Committee resolved that under Section 50A (4) of the Local Government (Scotland) Act 1973, the public be excluded from the Meeting for the following item of business on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.

AC227 DEBTS OUTSTANDING OVER £10,000

The purpose of the report by the Chief Officer, Finance was to seek approval for write off of a number of debts in excess of £10,000, which were unlikely to be recovered, in accordance with the Council's Financial Regulations.

It was noted that future reports such as this would be presented at the Finance & Economy Committee and the Chief Officer, Finance would make the necessary change to the Stirling Council Financial Regulations.

Discussion took place around businesses that were dissolved to avoid payment of a financial debt and it was noted that once a company went in to liquidation, the liabilities attached to the company ceased, however the same owners could then resurrect a new business, if they so wished.

Decision

Committee agreed, subject to further recovery action being taken should the opportunity arise:-

1. that the follow debt in excess of £10,000 be written off as irrecoverable with a total value of £431,637.11 and a breakdown of:-
 - 1.1. Non Domestic Rates totalling £553,884.70 as detailed in Appendix 1;
 - 1.2. Sundry Debts totalling £148,287.60 as detailed in Appendix 2; and
 - 1.3. Housing Benefit Overpayments debts totalling £35,419.45 as detailed in Appendix 3.

(Reference: Report by Chief Officer - Finance 17 May 2021, submitted)

The Convener declared the Meeting closed at 11.45am.