

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, Fourth Floor, Council Building, 2 High Street, Perth on Thursday 8 November 2007 at 10.00am.

Present: Councillors K Baird, A Gaunt, J Law, W Lumsden, B Vaughan and Mr J Howie.

In Attendance: K Woolard, D Farquhar, J Symon, P Kyle (for Paragraph 4(v)(c) and S Welsh (for Paragraph 4(v)(c)) (all Corporate Services); A Taylor (up to and including Paragraph 4(iii)(c)), C Archibald, S Farrer (up to and including Paragraph 4(iii)(c)) and A Cook (up to and including Paragraph 4(iii)(c)) (all Education and Children's Services); J Walker W Young, and N Taylor (up to and including paragraph P(i)) (all The Environment Service); S Nisbet (Housing and Community Care) (until paragraph P2); A Wilson and J Dickson (both Chief Executive's) and C Beaton (Henderson Loggie, External Auditors).

Councillor Law, Convener, Presiding.

1. DECLARATIONS OF INTEREST

There were no Declarations of Interest made in terms of the Councillors' Code of Conduct.

2. MINUTE OF PREVIOUS MEETING

The Minute of Meeting of the Audit Sub-Committee of 13 September 2007 was submitted, approved and signed as a correct record.

With reference to the progress report to this meeting of the Sub-Committee on the systems and procedures in place in relation to the Housing Repairs System (Paragraph 10 (ii) refers), it was noted that a progress report would be submitted to the next meeting.

3. INTERNAL AUDIT FOLLOW-UP WORK

There was submitted a report by the Chief Internal Auditor (07/709) presenting a summary of Internal Audit's current follow-up work.

Resolved:

The current position in respect of outstanding agreed actions arising from internal and external audit work be noted.

4. INTERNAL AUDIT UPDATE REPORT

There was submitted a report by the Chief Internal Auditor (07/710) presenting a summary of Internal Audit's work for 2007-08 against the Annual Plan.

Resolved:

The progress of Internal Audit's work against the 2007-2008 Annual Plan, as detailed in Appendices 1 and 2 to Report 07/710, be noted.

(i) Corporate

(a) 05/032 – Following the Public Pound

There was submitted a report by the Chief Internal Auditor (07/711) setting out the results of the internal audit review of internal controls in place in relation to the Council's funding to external organisations for a range of purposes relating to Council services and their broader objectives.

P Dickson, Corporate Services, was present to answer members' questions on funding co-ordination and consistency in implementing the Code across the Council,

and guidance and training to assessors, monitoring officers and officers and elected members who sat on Boards or Committees.

Resolved:

The findings, recommendations and action plans, as detailed in Report 07/711, be noted.

P DICKSON LEFT THE MEETING AT THIS POINT.

(ii) Corporate Services

(a) 06/040(a) – Creditors/Purchasing

There was submitted a report by the Chief Internal Auditor (07/712) setting out the results of the internal audit review on procedures in place within Corporate Services for the processing and payment of creditors.

In response to a question in relation to the financial systems software contract, J Symon, Corporate Services, confirmed that the revised contract had been concluded.

Resolved:

The findings, recommendations and action plans detailed in Report 07/712 be noted.

(b) 06/046 – Disclosure Scotland

There was submitted a report by the Chief Internal Auditor (07/713) setting out the results of the internal audit review of the adequacy and compliance with Disclosure Scotland procedures across Council Services.

In relation to responsibility for the overall management of the Disclosure Scotland service, K Woolard advised that written procedures were in place across the Council Services.

Resolved:

The findings, recommendations and action plans detailed in Report 07/713 be noted.

(c) 06/051 – Health and Safety

There was submitted a report by the Chief Internal Auditor (07/714) setting out the results of the internal audit review of the adequacy of corporate health and safety arrangements within the Council.

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/714 be noted.
- (ii) It be noted that progressing the Action Plan would have financial implications and would be dependent on the outcome of the budgetary process.

(d) 07/028 – Procurement

There was submitted a report by the Chief Internal Auditor (07/715) setting out the results of the internal audit review of progress on implementing the Council's procurement procedures through its Corporate Procurement Strategy and assess the extent of the Council's compliance with the recommendations of the McClelland Report on Public Procurement in Scotland (2006).

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/715 be noted.

- (ii) The Head of Shared Services be instructed to attend the next meeting of the Sub-Committee to respond to questions on the Corporate Procurement Strategy.

(e) 07/056 – Charitable Fund

There was submitted a report by the Chief Internal Auditor (07/716) setting out the results of the internal audit review of overall governance arrangements in relation to the charitable fund.

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/716 be noted.
- (ii) A report on governance and accountability be submitted to the 12 December 2007 meeting of the Strategic Policy and Resources Committee.

(iii) Education and Children's Services

(a) 06/040(c) – Creditors/Purchasing

There was submitted a report by the Chief Internal Auditor (07/717) setting out the results of the internal audit review of procedures on the accuracy of payments made to creditors and the effectiveness of internal controls in relation to placing of orders.

Resolved:

The findings, recommendations and action plans detailed in Report 07/717 be noted.

(b) 06/041(a) – Contract Monitoring – School Cleaning

There was submitted a report by the Chief Internal Auditor (07/756) setting out the results of the internal audit review on the adequacy of services provided to the Council under a contract agreement and whether such contract ensured value for money.

A Taylor, A Cook and S Farrer, Education and Children's Services, were present to answer questions on the contractual agreement, partnership working and a Best Value review.

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/756 be noted.
- (ii) Further consideration of this issue be deferred pending a referral to the Executive Officer Team to consider the key points arising from the review in the context of the Council's impending Best Value review.

(c) 06/041(b) – Contract Monitoring – School Catering

There was submitted a report by the Chief Internal Auditor (07/757) setting out the results of the internal audit review of the adequacy of contract services provided to the Council under a contract agreement and whether such contracts ensured value for money.

A Taylor, A Cook and S Farrer, Education and Children's Services, were present to answer questions on the contractual agreement, partnership working and a Best Value review.

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/757 be noted.

- ii) This issue be referred to the Executive Officer Team to take on board the key points arising from the review in the context of the Council's impending Best Value review.

A TAYLOR, A COOK AND S FARRER LEFT THE MEETING AT THIS POINT.

(iv) The Environment Service/Education and Children's Services

(a) 05/045 – Capital Budgeting

There was submitted a report by the Chief Internal Auditor (07/718) setting out the results of the internal audit review of the adequacy of measures in place to monitor and control spending within the capital budget programme.

J Walker was present to answer questions on the capital budget process, the role of the theme Committee, the procedures where there was a variance between the budget estimate and the tender price, and the guidance available to Services.

Resolved:

The findings, recommendations and action plans detailed in Report 07/718 be noted.

(v) The Environment Service

(a) 06/025 – Landfill Fines

There was submitted a report by the Chief Internal Auditor (07/719) setting out the results of the internal audit review of the effectiveness of management arrangements to divert waste from landfill, including minimisation of landfill fines; and the systems in place to record landfill tonnage for comparison with the landfill allowance and enable accurate calculation of surplus allowances or landfill fines.

Resolved:

The findings, recommendations and action plans detailed in Report 07/719 be noted.

(b) 06/040(b) – Creditors/Purchasing

There was submitted a report by the Chief Internal Auditor (07/720) setting out the results of the internal audit review of the effectiveness of the procedures in place to control the issue of order books, payment procedures and controls within individual sections, and the ordering and payment process.

Resolved:

The findings, recommendations and action plans detailed in Report 07/720 be noted.

(c) 06/044 – Economic Development

There was submitted a report by the Chief Internal Auditor (07/721) setting out the results of the internal audit review of the Harbour service and management control and evaluation of development assistance payments.

P Kyle and S Welsh were present to answer questions on how Economic Development engaged with businesses, management control and evaluation of partnership development. Current practices were being reviewed and any identified areas of weakness would be addressed.

Resolved:

The findings, recommendations and action plans detailed in Report 07/721 be noted.

P KYLE AND S WELSH LEFT THE MEETING AT THIS POINT.

(d) 06/054 – Street Lighting Partnership

There was submitted a report by the Chief Internal Auditor (07/722) setting out the results of the internal audit review of the Partnering Agreement with Tayside Contracts in relation to the Council's street lighting infrastructure.

Resolved:

The findings, recommendations and action plans detailed in Report 07/722 be noted.

(e) 07/022 – Housing Improvement Grants

There was submitted a report by the Chief Internal Auditor (07/723) setting out the results of the internal audit review of financial assistance provided to owners who could not afford to pay for work needed to keep their home in good condition, through Housing Improvement Grants made in terms of relevant legislation.

Resolved:

The findings, recommendations and action plans detailed in Report 07/723 be noted.

5. NATIONAL FRAUD INITIATIVE – PROGRESS REPORT

There was submitted a report by the Chief Internal Auditor (07/724) outlining the action taken by Perth and Kinross Council in response to the requirements of the National Fraud Initiative.

Resolved:

- (i) The position in respect of the work undertaken with regard to the National Fraud Initiative (NFI) be noted.
- (ii) A progress report on the Initiative be submitted to an early meeting of the Audit Sub-Committee.

IT WAS AGREED THAT THE PUBLIC AND PRESS BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEMS IN ORDER TO AVOID THE DISCLOSURE OF INFORMATION WHICH WAS EXEMPT IN TERMS OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT, 1973

P1. INTERNAL AUDIT UPDATE

(i) Housing and Community Care

(a) 06/045 – Project Management

There was submitted a report by the Chief Internal Auditor (07/728) setting out the results of the internal audit review of the use and effectiveness of project management toolkit.

S Nisbet was present to answer questions on contract arrangements and project protocols. He confirmed that controls were now in place.

SCRUTINY COMMITTEE (Art.49(ii)) (Appendix I)
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Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/728 be noted.
- (iii) This matter be referred to the Executive Officer Team to clarify the arrangements for the custody of Council contracts in general.

S NISBET LEFT THE MEETING AT THIS POINT.

(ii) The Environment Service

(a) 06/047 – Investigation

There was submitted a report by the Chief Internal Auditor (07/725) setting out the results of the internal audit review of payments of allowances to some Environment Service employees undertaking particular duties.

J Walker was present to answer questions on internal controls in place to verify claims for payment.

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/725 be noted.
- (ii) This matter be referred to Environment Service Operations Management to investigate, review procedure as a whole and remit to the Environment Service to resolve within the management structure and submit an update report to a future meeting of the Audit Sub-Committee.

W YOUNG LEFT THE MEETING AT THIS POINT.

(b) 06/067 – Investigation

There was submitted a report by the Chief Internal Auditor (07/726) setting out the results of the internal audit review of the effectiveness of procedures to monitor the proper use of Council equipment.

Resolved:

The findings, recommendations and action plans detailed in Report 07/726 be noted.

W YOUNG REJOINED THE MEETING DURING CONSIDERATION OF THE FOLLOWING ITEM.

(c) 07/062 – Agency Workers

There was submitted a report by the Chief Internal Auditor (07/727) setting out the results of the internal audit review of management action regarding the Service's relationship with an agency supplying temporary workers.

J Walker was present to answer questions on the seasonal nature of some of the Council's Environment services and the current procedures for the procurement of agency staff.

Resolved:

- (i) The findings, recommendations and action plans detailed in Report 07/727 be noted.
- (ii) The arrangements for procuring agency staff be referred to the Executive Officer Team and a follow up report be submitted to an early meeting of the Audit Sub-Committee.

P2. EXTERNAL AUDIT REPORTS

(i) Report to those charged with Governance on the Audit of Perth and Kinross Council – 2006/2007

There was submitted a report by the External Auditor (07/729) setting out the findings of the external audit relating to financial statements.

C Beaton, External Auditor was present to speak to the report and answer questions.

Resolved:

- (i) The contents of the External Auditor's report be noted.
- (ii) The Head of Finance be instructed to clarify the treatment of Perth and Kinross Leisure Ltd within Perth and Kinross Council's group accounts.

W YOUNG AND N TAYLOR LEFT THE MEETING AT THIS POINT.

(ii) Audit Progress Report – 2006/2007

There was submitted a report by the External Auditor (07/730) on progress with the 2006/2007 Audit.

C Beaton, External Auditor was present to speak to the report and answer questions.

Resolved:

The contents of the External Auditor's report be noted.