

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 17 November 2010 at 2.00pm.

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

In Attendance: J Clark, D Farquhar, J Symon, G Taylor (from Item 4(ii)), F Mackay, C Flynn, F Band and M Kay (all Chief Executives); C Archibald (Education and Children's Services) and B Renton (the Environment Service).

Also Attending: S Coombs (Henderson Loggie, External Auditors).

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 22 September 2010 was submitted and approved as a correct record.

(a) 05/032 – Following the Public Pound (Action Point 1)

In response to a question from Councillor Vaughan on the action to be taken by the Head of Legal Services, J Clark advised that she understood that a report would be prepared for submission to the next meeting of the Scrutiny Committee.

3. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (10/575) detailing: (1) outstanding actions arising from internal and external audit reports; (2) those agreed actions currently being followed-up, even where the originally agreed completion dates had not yet been reached; (3) the number of agreed actions reported as incomplete after the original agreed completion date; and (4) detailed follow-up information on a service-by-service basis, in respect of actions agreed for completion in the period August to September 2010.

Officers from the relevant services, with the exception of Housing and Community Care, were present to answer members' questions on the progress on outstanding actions as follows:

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 69(ii)) (APPENDIX II)
9 February 2011

(i) Summary of Outstanding Actions

J Clark reported that internal audit had examined the feasibility of completion of outstanding actions with services. Councillor Lumsden noted there had been improvement in the percentage of incomplete actions since the previous meeting.

(ii) 07/004 – Payroll (Action Point 19)

J Clark reported that whilst the process referred to in the Action Point would be completed by January 2011, completion of roll-out would not be finalised until March 2011. It was agreed to alter the completion date to March 2011

(ii) 07/057(a) – Information Security (Action Point 13)

Councillor Wylie noted that a solution had been identified by another authority which successfully overcame the functionality issues of the SWIFT system and requested information on discussions with the systems suppliers. J Clark explained that the issue had been discussed at the SWIFT User Group over a number of months and that during the audit it had been established that another authority had experienced the same issue and found a solution to enable audit functionality and this would be carried out at the next system upgrade.

It was agreed that if the action remained outstanding at the next meeting of the Sub-Committee that the Business Improvement Manager, Housing and Community Care, be invited to attend to answer members' questions thereon.

(ii) 08/008 – Committee Services (Action Point 4)

In response to a request from Councillor Wylie on information on outstanding action, C Flynn, Democratic Services Manager, reported that the former Democratic Manager (Committee) had commenced the action but had not been able to access all Service Senior Management Team meetings. It was now intended to arrange training in report writing skills.

4. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (10/576) presenting a summary of the status of Internal Audit's work for 2010/11 against the annual plan and detailing: (1) those assignments completed but where findings were under discussion with management; (2) assignments in progress; (3) the schedule of planned audits for 2010/11 and previous years; and (4) proposing amendments to planned assignments.

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 69(ii)) (APPENDIX II)
9 February 2011

In response to a question from Councillor Vaughan on the reasons for the number of audits being outstanding, where work was complete but findings were under discussion with management since the previous meeting, J Clark reported that a number of factors contributed to this, including timetabling issues, and it was hoped the finalised reports would be submitted to the next meeting of the Audit Sub-Committee.

Resolved:

- (i) The progress of Internal Audit's work against the Plans for 2010/11 be noted.
- (ii) The deletion of assignment 09/029 – Council Tax, as detailed at Section 2.3 of Report 10/576, from the Internal Audit Plan for 2009/10, be approved.

The Sub-Committee considered the following final reports:-

(i) Housing and Community Care

(a) 09/006 – Procurement

There was submitted a report by the Chief Internal Auditor (10/577) setting out the results of the Internal Audit Review of controls in place to ensure the Council's procurement capability is aligned to Scottish public sector best practice with action plans in place which drive continuous improvement.

Councillor Vaughan asked for further explanation of the apparently low assessment score and J Clark advised that the procurement model used for a number of years in the NHS had recently been adopted by Scottish local authorities and, as in other local authorities, progress was being made in compliance levels.

Councillor Lumsden noted that the Corporate Procurement Manager was not present to answer questions on this report and it was agreed that the relevant officer be asked to join the meeting.

As the Corporate Procurement Manager was not available, L Prentice entered the meeting shortly thereafter when consideration of this item continued.

Councillor Vaughan noted that a number of the actions appeared straightforward and asked for an assurance that the dates for completion would be met. L Prentice confirmed that the actions were in progress and discussion had been held with Legal Services on necessary documentation and confirmed that Action Point 1 would be completed by March 2011. Action Point 2 was achievable by the completion date and Action Point 3 was now complete. D Farquhar reported that completion dates had been agreed with A Harrow, Head of Procurement, Tayside

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 69(ii)) (APPENDIX II)
9 February 2011

Procurement Consortium. J Clark noted that, whilst it was management's responsibility to agree a realistic completion date, Internal Audit would query a date if it was considered unrealistic.

Councillor Wylie noted that Dundee City Council was responsible for auditing the activities of the Tayside Procurement Consortium and asked if the audit report would be submitted to the Perth and Kinross's Audit Sub-Committee. J Clark agreed to establish this with Dundee City Council's Chief Internal Auditor.

Resolved:

The findings, recommendations and action plan as detailed in Report 10/577, be noted.

G TAYLOR ENTERED THE MEETING AT THIS POINT.

(ii) The Environment Service

(a) 10/16 – Bus Service Operator Grant Claim

There was submitted a report by the Chief Internal Auditor (10/578) setting out the results of the Internal Audit review of controls in place to verify that grant claim entries are fairly stated upon the basis of supporting evidence and that bus service operators grant to Perth and Kinross had been claimed in accordance with the conditions imposed under Section 38 of the Transport (Scotland) Act 2001.

J Clark noted that previously reports with no action to be taken had not been submitted to the Audit Sub-Committee however, as a previous report had identified a number of improvement actions to be taken in the submission of the bus service operator grant claim, she was pleased to report that all had now been fully addressed.

Resolved:

The findings as detailed in Report 10/578 be noted.

5. EXTERNAL AUDIT REPORT

(i) Audit Progress Report 2009/10

There was submitted a report by the External Auditor (10/579) on the progress of the 2009/10 Audit. S Coombs confirmed that the majority of the External Audit work was now complete for the current year and it was anticipated that the Housing Benefits Subsidy Letter would be completed that week.

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 69(ii)) (APPENDIX II)
9 February 2011

Resolved:

- (i) The contents of Report 10/579 be noted.
- (ii) It be noted that the Report to Those Charged with Governance ISA 260 would be submitted to the next meeting of the Audit Sub-Committee to allow the report to be considered at the same meeting as the Report to Members and the Controller of Audit.

J SYMON, F BAND, F MACKAY, C ARCHIBALD, C FLYNN AND B RENTON LEFT THE MEETING AT THIS POINT.

I INNES, HEAD OF LEGAL SERVICES JOINED THE MEETING AT THIS POINT.

IT WAS AGREED THAT THE PUBLIC AND PRESS BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEM 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) Chief Executive's Services

(a) 09/062 – Licensing

There was submitted a report by the Chief Internal Auditor (10/580) setting out the results of the Internal Audit Review of the controls in place to ensure the adequacy of the control environment within the Licensing Team of the Legal Division in relation to cash handling activities.

I Innes, Head of Legal Services, was present to answer members' questions on the report in relation to (1) action being taken to address weaknesses identified in the system in place (2) the rationale for carrying out the review of Licensing fees biennially and (3) the operational reasons for the current cash collection arrangements. He confirmed that a number of improvements had already been made with a number of the action points complete, and advised that information was provided by colleagues in Finance and Property Management on inflation rates to assist in the review of fees.

J Clark confirmed that an IT solution had been found in relation to some parts of Action Points 6 and 7 which would provide an audit trail of transactions.

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (*Art. 69(ii)*) (*APPENDIX II*)
9 February 2011

Resolved:

- (i) The findings, recommendations and action plan as detailed in Report 10/580 be noted and;
- (ii) The Chief Internal Auditor when considering the 2011/12 Internal Audit Plan review similar cash collection activities to assess risk.

~~~~~