

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 24 August 2011 at 2.00pm.

Present: Councillors K Baird, A Gaunt, W Lumsden, B Vaughan and A Wylie and Mr J Howie (from Item 3).

In Attendance: J Clark, D Farquhar, A O'Brien, C Flynn, M Kay and F Band (all Chief Executive's); J Walker and L Brady (Housing and Community Care); G Boland (Education and Children's Services); and B Renton (the Environment Service).

Also Attending: A Harrow (Tayside Procurement Consortium) and M Richardson (Henderson Loggie, External Auditors).

Councillor W Lumsden, 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 25 May 2011 was submitted and approved as a correct record.

(a) Item 3(i) Request for Information

Resolved:

Any information requested by a member at the meeting of the Sub-Committee be circulated to all members of the Sub-Committee following the meeting.

3. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (11/419) presenting a current summary of Internal Audit's 'follow up' work and 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 April to June 2011.

J Clark, Chief Internal Auditor, further reported that the figures contained in Appendix A reflected the transfer of Business Transformation from the Chief Executive's Service to Education and Children's Services. Councillor Vaughan

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noted that the report highlighted that there were signs of improvement in addressing outstanding actions.

Officers from the relevant services were present to answer members' questions on the progress on outstanding actions as follows:

(1) 09/010 – Corporate Health, Safety and Wellbeing (Action Point 1)

In response to a question from Councillor Lumsden on whether it would be appropriate to remove this action from follow-up, J Clark advised that further information was required on the remit of the various reporting lines and B Renton reported that the action would be addressed within the next committee cycle .

(2) 10/012 – Developer Contributions (Action Point 2)

Councillor Gaunt welcomed the guidance notes produced for development management.

(3) 09/028 – Housing Allocations (Action Point 1)

J Clark reported that the follow-up had been provided for the Committee's information only.

(4) 09/030 – Housing Repairs (Action Point 8)

J Walker, Housing and Community Care, confirmed that this action was now complete.

(5) 10/010 – New Building Programme (Action Points 2 and 4)

In response to a question from Councillors Lumsden, J Walker confirmed that both actions would be completed by the end of August 2011; he advised that the Service Level Agreement, with Housing and Community Care's comments, had been passed to Property Services.

(6) 09/013 – Application Software – Development and Maintenance (Action Point 6)

J Clark reported that this action was now complete.

(7) 09/020 – School Transport (Entitlement) (Action Points 1, 3 and 4(2))

In response to a question from Councillor Lumsden, G Boland confirmed that the actions would be completed by the end of August 2011.

Resolved:

- (i) The current position in respect of the outstanding agreed actions arising from internal/external audit work be noted.

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- (ii) The agreed action plans be progressed taking into account the recorded audit opinion.

4. INTERNAL AUDIT UPDATE

There was submitted a report by Chief Internal Auditor (11/420) presenting a summary of Internal Audit's work for 2011/12 against the annual plan.

J Clark drew attention to the reference to unplanned work and advised that, if it were deemed necessary to revise the 2011/12 plan to take account of this additional work, she would report back to members thereon. In response to a question from Councillor Baird as to the time taken to discuss findings with management, J Clark reported that she was attempting to reduce time taken up by this stage in the process for the 2011/12 plan, so that appropriate action can be taken on audit findings at the earliest opportunity. She noted that audits involving schools could not be progressed over the summer period. J Walker commented that availability of officers during the holiday period across the Council also impacted on completion of audits. It was noted that dates for planned audits for 2011/12 included in Appendix C to Report 11/420 would be completed once 2012 Committee dates were known.

In response to an enquiry from Councillor Vaughan as to the possibility of non-audit section staff carrying out audit work to ensure audit plans were completed, J Clark explained the need for particular skill sets and the dependence on provision of supervision. In response to a question from Mr Howie, J Clark confirmed that there was a level of contingency within each audit plan but this was likely to be exceeded in the current year.

Resolved:

The progress made on Internal Audit's work against the plans for 2011/12 and previous years be noted.

The Sub-Committee considered the following final reports:-

(i) Housing and Community Care

(a) 10/09 – Housing / Council Tax Benefits

There was submitted a report by the Chief Internal Auditor (11/421) setting out the results of the Internal Audit Review of arrangements in place within Housing and Community Care to ensure there are adequate and appropriate controls in place over the administration of Housing and Council Tax Benefit Claims to provide for accurate and timely payment.

J Walker and L Brady, Housing and Community Care, were present to answer members' questions on the report and provide information in relation to: (1) a reduction in performance in relation to accuracy and timeliness of benefit claims as a result of increased caseloads and telephone enquiries, reflecting; (a) numerous changes to welfare legislation and the

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consequent impact on staff training; (b) the economic downturn resulting in increased claims and changes of circumstance; and (c) a reduction in benefit administration grant; he welcomed the opportunity provided by the audit to improve management information to contribute to improved performance and noted that Audit Scotland had acknowledged that an improvement plan was in place; (2) the need to highlight to the Housing and Health Committee the time taken to process applications by including this within the six monthly and Business Management and Improvement Plan reports; (3) the importance placed on adherence to procedures in place; (4) testing by Audit Scotland which showed that no errors had been found in respect of overpayments as from October 2010; and (5) the focus placed on training.

Resolved:

- (i) The findings, recommendations and action plan as detailed in Report 11/421 be noted.
- (ii) An update report be submitted to the Audit Sub-Committee on 29 February 2012 showing progress made against the action plan.

L BRADY LEFT THE MEETING AT THIS POINT.

(b) 11/014 – Interim Funding

There was submitted a report by the Chief Internal Auditor (11/422) setting out the results of the Internal Audit Review of controls in place to ensure that (1) local procedures are held which are consistent with Scottish Government guidance; (2) documentation is held to provide confirmation of the ownership of property and the security of the debt to the Council; (3) records of debts are properly recorded on the Council's accounts and; (4) procedures are in place to recover debt arising from interim funding.

J Walker, Housing and Community Care, was present to answer members' questions on the findings of the report in relation to: (1) the timescale for submitting a report to the Senior Management Team within Housing and Community Care on Perth and Kinross Council's interpretation of Scottish Government guidance on charging for residential accommodation; and (2) the responsibility for Action Point 3, Senior Management Team meeting minutes lying with the Senior Management Team itself.

Resolved:

The findings, recommendations and action plan as detailed in Report 11/422 be noted.

(ii) **The Environment Service**

(a) **10/22 – Cycling, Walking and Safer Street (CWSS) Grant Claim**

There was submitted a report by the Chief Internal Auditor (11/423) setting out the results of the Internal Audit Review of controls in place to ensure there is adequate supporting documentation for the 2010/11 Cycling, Walking and Safer Streets Grant Claim to allow the Chief Internal Auditor to certify the latest grant claim.

B Renton, the Environment Service, was present to answer members' questions on the report in relation to reporting lines to ensure governance and accountability.

Resolved:

The findings, recommendations and action plan as detailed in Report 11/423 be noted.

6. EXTERNAL AUDIT REPORTS

(i) **Financial Statements Audit Plan for 2010/11**

There was submitted a report by the External Auditor (11/424) on: (1) the approach taken to the audit of the Council's financial statements for the year ended 31 March 2011; (2) providing an update on their interim audit work to date; (3) noting progress with the action plans agreed the previous year as a result of their interim audit work; and (4) indentifying issues for the year end audit.

M Richardson, External Auditors, was present to speak to the report, and advised on the issues raised in relation to the key systems reviewed annually and the assessment of risk work to be carried out following the year end. She noted that, whilst full or substantial assurance could be placed on the majority of the main financial systems, some key issues and control weaknesses had been identified which could impact on external audit's approach for the year end, and drew attention to the recommendations set out at Appendix 1 as agreed with Senior Officers of the Council to help strengthen internal controls. She noted that a number of these actions were now complete. She also reported that, in relation to Housing Benefit / Council Tax Benefit subsidy, there had been some improvement from the previous year.

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A O'Brien, Finance Division, referred to the importance of reconciliation of movements in properties on the Housing Rents system being carried out on an ongoing basis, rather than annually.

In response to a question from Councillor Vaughan as to the approach taken by other authorities to Common Good assets, M Richardson confirmed that not all authorities were approaching this similarly to Perth and Kinross; many only identifying common good assets when the need to dispose of the asset became an issue; authorities covering rural areas often were responsible for a number of common good funds, which posed difficulties in establishing who has title. She highlighted that the Council had an obligation to record in a register any common good assets identified.

B Renton advised that this was being dealt with through asset management planning, but noted the difficulty in that a great deal of historic information was no longer available; she also referred to areas of land at Perth Harbour which were previously incorrectly identified as common good.

Resolved:

The findings, recommendations and action plan as detailed in External Audit's Report on the Financial Statements Audit Plan for 2010/11 be noted.

(ii) Accounting for Common Good Assets Review

There was submitted a report by the External Auditor (11/425) on the review carried out to ensure: (1) the Council is correctly accounting for income and expenditure in relation to common good assets being used operationally by the Council; (2) appropriate accounting arrangements are in place when the Council uses common good property to deliver services; (3) the Council is making the necessary arrangements to complete the review to ensure common good asset registers are as up to date as possible and; (4) the treatment of common good in relation to group accounts is in line with the actual position.

M Richardson, External Auditor, explained that, during the audit, the Council had been addressing the issue of Aberfeldy Town Hall and noted that a draft policy on dealing with such matters had now been prepared, with arrangements placed on a more formal footing to provide an audit trail.

A O'Brien explained that the actions related to accounting for the assets not the management thereof; pointed to the approach being taken by the Common Good Project Board within the Council, and information being sought on the approach taken by other councils, and advised that a report thereon would be submitted to a future meeting of the Strategic Policy and Resources Committee. In response to a question from Councillor Baird, she outlined the membership of the

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Common Good Project Board, which included representatives from Legal and Property Services, who were reviewing titles and assets.

Councillor Wylie pointed to the income and expenditure on Aberfeldy Town Hall over the previous two years, which highlighted that deficit funding was required to keep the facility open. A O'Brien noted this had previously been assumed to be an operational asset of the Council with an as if financial lease.

Resolved:

The findings, recommendations and action plan as detailed in External Audit's Report on the accounting for Common Good Assets be noted.

(iii) Improving Public Sector Purchasing Follow-Up Report 2010/11

There was submitted a report by the External Auditor (11/426) on the follow-up work to assess how well the Council is ensuring that they can demonstrate value for money when purchasing goods and services, which concluded that the Council could demonstrate: (1) commitment to achieving improvements in purchasing practice, the score in the procurement capability assessment placing the Council in the top quartile of Scottish local authorities; (2) a clear system of delegation and authority for purchasing and; (3) a high quality purchasing strategy, all of which indicated that the Council was making good progress in implementing its procurement programme and the actions arising from the procurement capability assessment.

M Richardson, External Auditor, advised that Audit Scotland had requested this work to be carried out and that it was anticipated that a report would be issued later in the year by Audit Scotland on all Scottish local authorities, and noted that Perth and Kinross Council would be subject to another procurement capability assessment in October.

A Harrow, Procurement Programme Manager, in response to a question from Councillor Wylie as to the existence of an improvement action plan, advised that this was built around key areas for improvement. J Walker referred to the three year improvement strategy agreed at the Strategic Policy and Resources Committee and that information on savings would be included in the activity statement.

Resolved:

The contents of Report 11/426 be noted.

(iv) Audit Progress Report 2010/11

There was submitted a report by the External Auditor (11/427) recording the stage of progress of each output proposed in the operational plan for 2010/11.

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M Richardson, External Auditor, was present to speak to the report and updated members on the current position.

Resolved:

The contents of Report 11/427 be noted.

I INNES ENTERED THE MEETING AT THIS POINT.

A HARROW, A O'BRIEN AND G BOLAND LEFT THE MEETING AT THIS POINT.

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 FOLLOW UP WORK

(a) 09/062 – Licensing (Appendices G and H)

There was submitted Appendices G and H of Report 11/419 by the Chief Internal Auditor presenting further information on Internal Audit's current follow-up work on the findings of an 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, as referred from the previous meeting.

I Innes, Head of Legal Services, was present to answer members' questions on the report and outlined action taken to (1) seek advice from the Crime Prevention Officer at Tayside Police if further improved security measures were required and (2) move to increased online payment.

Resolved:

It be noted that all outstanding action would be taken by the end of October 2011.

I INNES LEFT THE MEETING AT THIS POINT

G BOLAND ENTERED THE MEETING AT THIS POINT.

(b) 09/053 – National Fraud Initiatives Matches (Action Point 3)

There was submitted Appendix I of Report 11/419 by the Chief Internal Auditor presenting further information on Internal Audit's follow-up work in relation to the findings of the National Fraud Initiatives Matches, Action Point 3.

G Boland, Education and Children's Services, was present to answer members' questions on the report and advised that all action would be completed by the end of October 2011. Members stressed the

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importance that every member of staff should be fully aware of the Employees' Code of Conduct.

Resolved:

The position be noted.

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