

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 9 March 2011 at 2.00pm.

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

In Attendance: J Clark, D Farquhar, J Symon, F Mackay, F Band, L Greig, G Taylor, and J Somerville (all Chief Executive's); G Boland (Education and Children's Services); L Cameron (Housing and Community Care), and H Hope (the Environment Service).

Also Attending: M Richardson and C Wylie (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 12 January 2011 was submitted and approved as a correct record.

3. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (11/105) 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 November to December 2010.

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

(i) Summary of Outstanding Actions

In considering the most appropriate action to be taken to progress the agreed action plans, the Convener advised that Executive Directors had been requested by the Chief Executive to action outstanding items in order to assist in the preparation of audits at the present time and for the end of the financial year.

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The Convener referred to actions that had been outstanding for a considerable period becoming potentially irrelevant and J Clark confirmed that information received from services would be relied upon to establish if an action was no longer required.

Resolved:

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

4. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (11/106) presenting a summary of Internal Audit's work 2010/11 against the annual plan.

J Clark advised that one assignment may not be completed by 31 March 2011, as highlighted at 2.4 of Report 11/106, and that this was due to Housing Benefit being subject to change.

In response to a question from Councillor Vaughan, in referring to Appendix B to report 11/106, J Clark reported that it was hoped that completion dates of 31 March 2011 would be met.

The Convener referred to Appendix C to report 11/106 and noted that all work had commenced.

Resolved:

The progress of Internal Audit's work against the plans for 2010/11 be noted.

The Sub-Committee considered the following final reports:-

(i) Education and Children's Services

(a) 09/013 – Applications Software – Development and Maintenance

There was submitted a report by the Chief Internal Auditor (11/107) setting out the results of the Internal Audit Review of Applications Software – Development and Maintenance.

Councillor Vaughan expressed concern that an IT representative was not in attendance and it was noted that G Boland, as the Education and Children's Services representative, would report back to the IT section.

In response to a question from the Convener in relation to Action Point 1, J Clark confirmed that, although the ICT Strategy and Governance Group (ISGG) had not met since April 2009 and the ICT Implementation Group (IIG) had not met since May 2010, these groups had not been superseded.

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In terms of proposed completion dates, J Clark reported that such dates could, for example, be influenced by Committee timetables but she stressed that Internal Audit would challenge proposed dates if necessary.

Resolved:

The findings, recommendations and action plan as detailed in Report 11/109 be noted.

(ii) Housing and Community Care

(a) 09/030 – Housing Repairs

There was submitted a report by the Chief Internal Auditor (11/108) setting out the results of the Internal Audit Review of Housing and Community Care – Housing Repairs.

In response to a question from Councillor Vaughan in relation to Action Point 4, J Clark reported that, in respect of a fault in the 'repairs finder function' software package, the issue had been referred to the relevant User Group and the problem would be raised with the supplier.

Mr Howie noted that references were to recharges as opposed to cash collected and asked if there was a history of write offs. Councillor Wylie added that references to rolling recharges could be confusing and that as the policy had been introduced only fairly recently, this may have produced a misleading snapshot. L Cameron reported that discussion with corporate finance was ongoing and she confirmed that the Service would investigate ways of improving the rechargeable repairs collection rate and the related financial management information.

Resolved:

The findings, recommendations and action plan as detailed in Report 11/108 be noted.

(iii) Chief Executive's

(a) 09/040 (d) – iHRP Implementation Assignment

There was submitted a report by the Chief Internal Auditor (11/109) setting out the results of the Internal Audit Review of iHRP Implementation Assignment.

In response to a question from the Convener on controls in place, J Clark gave details of log-in procedures and reported that staff could make amendments to personal information from their desktop computers, thereby reducing reliance on manual

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forms. She confirmed that, while staff could access their own payroll records, there were restrictions in place preventing their making amendments to such data.

Councillor Wylie asked if there were any circumstances where the data would be shared with external agencies and J Clark reported that the data was not saved to disc but that information relevant to pensions, for example, could be shared with the appropriate agency. In response to a question from Mr Howie, J Symon confirmed that MyView was a brand name.

Resolved:

Internal Audit's findings as detailed in Report 11/109, be noted.

5. EXTERNAL AUDIT REPORTS

(i) Audit Progress Report 2010/2011 – February 2011

There was submitted a report by the External Auditor (11/110) recording the stage of progress of each output proposed in the operational plan for 2010/2011.

M Richardson and C Wyllie, External Auditors, were present to speak to the report and answer members' questions on the issues raised.

Resolved:

The contents of Report 11/110 be noted.

(ii) Risk Assessment, Annual Audit Plan and Fee Information for 2010/11

There was submitted a report by the External Auditor (11/111) setting out: (1) the audit framework; (2) the audit approach; (3) the planned audit outputs and the proposed fee; (4) the audit team.

M Richardson and C Wyllie, External Auditors, were present to speak to the report and answer members' questions on the issues raised.

C Wyllie highlighted the main points in Report 11/111 and, in response to questions regarding Local Area Networks (LANs), she confirmed that the Perth and Kinross LAN was led by A Clark, Audit Scotland. She added that meetings were held once or twice per year to bring together local scrutiny representatives in order to draft a three year rolling Assurance and Improvement Plan (AIP).

In response to a question from Mr Howie regarding the reference to not planning to place reliance on specific internal audit work and to proposed fees, C Wyllie reported that the fee was higher than it would have been if reliance could have been placed on specific internal audit work. J Symon noted that draft proposals relevant to the fee contained

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significantly more information and that the fee continued to be under discussion.

Resolved:

- (i) The contents of Report 11/111 be noted.
- (ii) The Chief Executive's Service be requested to produce a short briefing note relevant to the Perth and Kinross LAN for Sub-Committee members.

6. THE INTERNAL AUDIT PLAN 20011/12

There was submitted a report by the Chief Internal Auditor (11/112) outlining the proposed Internal Audit Plan for the financial year 2011/2012.

J Clark spoke to the report and noted that, in terms of CIPFA's 'Code of Practice for Internal Audit in Local Government in the United Kingdom' ('the Code'), the Head of Internal Audit is required to prepare a risk-based internal audit plan and that the plan should be fixed for no longer than one year. She drew the Sub-Committee's attention to Paragraph 2.4 of Report 11/112 which set out four factors which were assessed prior to the assignment of a priority rating and to the information highlighted in the appendices to the report.

Councillor Wylie asked a question in respect of the reference to Interim Funders in Appendix B and J Clark reported that, where care was provided, arrangements were in place to recoup assets once releasable.

In response to a question from the Convener as to how priorities were calculated, J Clark reported that it was not a mathematical formula and she gave the example of the Community Planning Partnership (CPP), the reliance on information received from partners and to the significance of the group itself.

Councillor Vaughan also referred to the CPP and Workforce Planning and J Clark reported that the inclusion of the CPP had been considered but deferred until new governance arrangements had been implemented. Councillor Vaughan noted the helpfulness of the report in setting out the criteria and providing context.

Resolved:

The proposed Internal Audit Plan for 2011/2012 as detailed in Report 11/112 be approved.

COUNCILLOR K BAIRD LEFT THE MEETING AT THIS POINT.

F BAND, G BOLAND, H HOPE AND F MACKAY LEFT 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 FOLLOW UP WORK

There was submitted Appendices D and E of Report 11/105 by the Chief Internal Auditor presenting further information on Internal Audit's current follow-up work in relation to: (1) 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; and (2) the findings of an Internal Audit review of Information Security in Housing and Community Care.

(a) 09/062 Licensing (Appendix D)

Resolved:

- (i) Appendix D to Report 11/105 be noted.
- (ii) The Head of Legal Services be asked to provide a written update to Committee members on the outstanding action in relation to Action Point 2.

(b) 07/057(a) Information Security (Appendix E)

Councillor Vaughan requested an update on Action Point 1 and L Cameron reported that the necessary changes had now been implemented and that the issue had been raised at national level; she confirmed that the system was secure and that the Action Point was an additional check.

Resolved:

The current position in respect of the outstanding action be noted.

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