

## **AUDIT SUB-COMMITTEE**

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 12 January 2011 at 2.00pm.

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

In Attendance: J Clark, D Farquhar, J Symon, I Innes (for Item 5), L Whiteford, K Ridley (for Item P1), F Mackay, F Band, K Dewar and M Kay (all Chief Executive's); L Cameron and S Burt (Housing and Community Care), and G Boland (Education and Children's Services).

Also Attending: C Wyllie (Henderson Loggie, External Auditors).

Apologies for Absence: Councillors A Gaunt and A Wylie.

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 17 November 2010 was submitted and approved as a correct record.

### **3. INTERNAL AUDIT FOLLOW-UP**

There was submitted a report by the Chief Internal Auditor (11/07) 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 October 2010.

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

- (i) 09/003 - SPIs 2009/10: Interim Audit of Performance Indicators (Action Point 4(2))**

J Clark reported that the action was now complete.

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**(ii) 09/009 - Employees Expenses (Action Point 1)**

In response to a question from Councillor Vaughan on guidance currently available to employees, J Clark confirmed that the 2007 Travel and Subsistence guidance was available on the Council's Intranet with earlier versions deleted.

**(iii) 09/012 - ICT Purchasing (Action Point 9)**

In response to a request from Councillor Lumsden for further information on this action, J Clark reported that, following consultation, a number of amendments required to be made to the draft guidance document prior to it being rolled out.

**Resolved:**

- (i) The current position in respect of the outstanding agreed actions arising from internal/external audit work be noted.
- (ii) The agreed actions plans be progressed taking into account the recorded audit opinion.

S BURT LEFT THE MEETING AT THIS POINT

**4. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (11/08): (1) presenting a summary of the status of Internal Audit's work for 2010/11 against the annual plan and detailing (1) final reports issued since November 2010; (2) those assignments completed but where findings were under discussion with management; (3) assignments in progress; and 4) the schedule of planned audits for 2010/11 and previous years.

In response to a question from Mr Howie on the impact of staff absences on the Internal Audit Plan, J Clark advised that resources had been made available for a temporary member of staff for an 8 week period, but, as the individual had unfortunately been unable to attend, other options were being considered as a temporary measure.

Councillor Vaughan expressed concern that a considerable number of reports had been under discussion with management for some time and asked if any difficulties were being experienced in gaining agreement from services; J Clark advised that a number of factors had delayed issue of the reports and explained the approval process for final reports.

**Resolved:**

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

## 5. EXTERNAL AUDIT REPORTS

### (i) (a) External Auditors' Final Report to Members and Controller of Audit 2009/10

There was submitted a report by the Head of Finance (10/632), as referred from Council on 15 December 2010, accompanying the External Auditor's Final Report to Members for financial year 2009/10.

C Wyllie, External Auditor, J Symon, Head of Finance and L Whiteford, Senior Solicitor were present to answer members' questions on the Report in relation to: (1) case law in relation to Common Good properties which had led to a detailed re-assessment of the criteria for property held being designated Common Good; (2) the resources being applied to this task; (3) the net impact of allocation of income and expenditure on Common Good properties which would not be known until the re-assessment was complete; and (4) the timescale for completing the identification of properties with Common Good characteristics as set out in the action plan.

#### **Resolved:**

The contents of the External Auditors' Final Report to Members and the Controller of Audit for 2009/10, as detailed in Report 10/632, be noted.

I INNES ENTERED THE MEETING AT THIS POINT

### (b) Audited Statement of Accounts 2009/10

There was submitted a report by the Head of Finance (10/521) accompanying the Council's Audited Statement of Accounts for the financial year 2009/2010, which had been considered by the full Council on 29 September 2010 (Art. 552/10).

J Symon, Head of Finance, was present to answer members' questions on the Report in relation to (1) expenditure included in the entry "Other Items Net", being items not listed separately on the Income and Expenditure Account; and (2) a breakdown of information on Other Current Debtors and Creditors referred to in notes 20 and 22, which J Symon agreed to provide to the Convener following the meeting.

#### **Resolved:**

The contents of Report 10/521 be noted.

(c) **Report to those charged with Governance on the Audit of Perth and Kinross Council 2009/10**

There was submitted the Report to those Charged with Governance on the Audit of Perth and Kinross Council by the Council's External Auditors, Henderson Loggie (11/10), in accordance with the International Standard on Auditing (ISA) 260, which had been referred to the Audit Sub-Committee by the full Council on 29 September 2010 (Art. 552/10).

C Wyllie, External Auditor, J Symon, Head of Finance, and L Whiteford, Senior Solicitor, were present to answer members' questions on the Report in relation to (1) the external auditors comments in relation to setting up of a Capital Adjustment Account within the Common Good Statements to account for differences between depreciation on historical cost and depreciation on re-valued sums; (2) the timescale for resolution of the Loans Fund borrowing on the Kinross Common Good Fund; (3) a definition of Interim funders in relation to care home fees, being those whose assets are not readily realisable; and (4) action to be taken by the Council's software supplier to resolve systems issues in relation to the council tax net transfer sum.

**Resolved:**

The International Standard on Auditing (ISA) 260, "Report to those Charged with Governance on the Audit of Perth and Kinross Council" be noted.

I INNES, L WHITEFORD, F MACKAY, F BAND AND L CAMERON 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 UPDATE**

(a) **09/053 – National Fraud Initiative Matches**

There was submitted a report by the Chief Internal Auditor (11/09) on the findings of an Internal Audit review of governance arrangements following the outcome of the data matching exercise carried out as part of the National Fraud Initiative.

J Clark, Chief Internal Auditor, further reported that there was no evidence of fraudulent activity, however, in two instances, there had been a lack of clarity, openness and knowledge of Council procedures.

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G Boland, Education and Children's Services, and K Ridley, Human Resources, advised that the Head of Human Resources had updated policies and procedures, which would take account of the issue raised; and additional training had been provided to staff on the Employees' Code of Conduct and the procurement of goods and services policy. In response to members' questions, K Ridley further advised on sanctions which could be taken if an employee did not comply with the Council's policy.

**Resolved:**

The contents of Report 11/09 be noted.

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