

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 23 February 2006 at 9.45am.

Present: Councillors Barrett, Ellis, Jack and Mair

In Attendance: B Malone (Chief Executive), A R McArthur, K Woolard, K Colville, T Rae, S Mackenzie (Item 5 only) and A Wilson (all Corporate Services); C Archibald and L Knowles (Education and Children's Services); J Dean (Chief Executive's); G Fraser (Housing and Community Care); and Fiona Kordiak and Rachel Browne (both Audit Scotland).

Apology for Absence: Councillor Lennie.

Councillor Ellis, 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 10 November 2005 was submitted and approved and signed as a correct record.

3. EXTERNAL AUDIT REPORTS

(i) Anti-Fraud & Corruption Arrangements

There was submitted a report by Audit Scotland (06/107) (1) presenting a review of the arrangements operated by the Council to ensure the prevention and detection of fraud and corruption; (2) advising that work had been undertaken in relation to (a) corporate arrangements, (b) arrangements in one service (Planning and Transportation) and (c) a small sample of individual cases investigated by the Council's internal audit service; and (3) detailing recommendations in an action plan on those areas where further improvement could be achieved.

Resolved:

- (i) To accept the findings of Report 06/107.
- (ii) With respect to Issue 3 of the Action Plan, to note that the recommendation would be reworded to reflect that those contractors invited to tender be clearly recorded; and
- (iii) To accept otherwise the Action Plan and recommendations as to areas of improvement.

(ii) Performance Management and Improvement

There was submitted a report by Audit Scotland (06/108) noting (1) that since 2003 the Council had been committed to improvement and had been proactive in identifying and implementing actions required to improve its performance management; (2) that the Council had recognised that more needed to be done to put effective scrutiny arrangements in place and to support elected members and senior management in developing their challenge and scrutiny roles; and (3) areas of good practice and key strengths and areas for improvement.

Resolved:

- (i) To accept the findings of Report 06/108.
- (ii) To note that Audit Scotland intended to monitor the progress made by the Council in future years.

(iii) Website Overview

There was submitted a report by Audit Scotland (06/109) (1) advising on an overview of the Council website carried out through meetings with staff involved with the development and maintenance of the website, review of documentation and examination of the site on the internet; and (2) identifying areas of good practice and areas where improvements could be made.

Resolved:

To accept the findings, Action Plan and recommendations of Report 06/109.

(iv) Report to Members on the 2004/05 Audit

There was submitted a report by Audit Scotland (06/110) (1) presenting the main issues arising from the 2004/05 Audit; (2) assessing as 'Good' the Council's performance in the aspects of (a) financial statement, (b) financial position, (c) anti-fraud and corruption arrangements, and (d) performance management; and as 'Fair' in (a) corporate governance and (b) internal control; and (3) presenting a detailed Action Plan and recommendations.

Resolved:

To accept the findings, Action Plan and recommendations of Report 06/110.

(v) SX3 (Housing) System Migration – Follow Up

There was submitted a report by Audit Scotland (06/111) (1) presenting a follow-up on the recommendations of a review previously carried out by Audit Scotland in 2003/2004 of SX3 (Housing) System Migration; (2) expressing concern that not many of the recommendations made previously had been fully implemented; (3) identifying issues that should be addressed; and (4) summarising in the Action Plan detailed recommendations on those areas where further improvement could be achieved.

G Fraser represented the Executive Director (Housing and Community Care) and answered members' questions.

Resolved:

- (i) To accept the findings, the Action Plan and recommendations contained in Report 06/111; and
- (ii) To request that the Chief Executive follow up these findings in discussion with the Executive Director (Housing and Community Care).

(vi) Best Value Transitional Audit

There was submitted a report by Audit Scotland (06/112)(Revised) (1) outlining the high level transitional work carried out in 2004/2005 in the two selected areas of equal opportunities and sustainable development ahead of the Best Value Audit of the Council due to commence in 2006/2007; and (2) highlighting areas of good practice and areas for action.

Resolved:

To accept the findings and areas for action detailed in Report 06/112 (Revised).

G FRASER LEFT THE MEETING AT THIS POINT.

(vii) Trading Accounts

There was submitted a report by Audit Scotland (06/113) (1) advising that as part of the 2004/2005 audit, Audit Scotland had carried out a review to determine progress made in implementing actions previously agreed in the 2003/2004 Action Plan; and (2) making detailed recommendations on these areas where further improvement could be achieved in the accompanying Action Plan.

Resolved:

To accept the findings, Action Plan and recommendations contained in Report 06/113.

(viii) Following the Public Pound

There was submitted a report by Audit Scotland (06/114) (1) advising that its review of the arrangements for funding arms length external organisations (ALEOs) within Perth and Kinross Council had found that the Council had some aspects of good practice in place but that further improvement was necessary to ensure compliance with the main requirements of the *Code of Guidance on Following The Public Pound*; and (2) setting out detailed recommendations on these areas where improvement could be achieved in the accompanying Action Plan.

Resolved:

To accept the findings of Report 06/114, along with its recommendations and Action Plan.

4. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (06/115) presenting a summary of (a) Internal Audit's current work, detailing finalised assignments; (b) those assignments completed but where findings were under discussion with management; and (c) assignments in progress.

Resolved:

To note the position in respect of current Internal Audit work.

(i) 05/006 – Residential Care for Looked After Children

There was submitted a report by the Chief Internal Auditor (06/116) (1) presenting a summary of the Internal Audit Report for Residential Care for Looked After Children; (2) noting that in the opinion of the Chief Internal Auditor, internal controls examined were 'Moderate'; and (3) detailing findings, associated risk, recommended action and action plans.

Resolved:

To accept the findings, recommendations and Action Plans detailed in Report 06/116.

(ii) 05/010 – Library Review

There was submitted a report by the Chief Internal Auditor (06/117) (1) presenting a summary of the Internal Audit Report on the Library Review; (2) noting that in the opinion of the Chief Internal Auditor, internal controls examined were 'Unacceptably Weak'; and (3) detailing findings, associated risk, recommended actions and action plans.

The Interim Executive Director (Education and Children's Services) was represented by C Archibald and L Knowles who answered members' questions.

Resolved:

To accept the findings, recommendations and Action Plans detailed in Report 06/117.

(iii) 05/015 – Training and Development

There was submitted a report by the Chief Internal Auditor (06/118) (1) presenting a summary of the Internal Audit Report on Training and Development; (2) noting that in the opinion of the Chief Internal Auditor, internal controls examined were 'Weak'; and (3) detailing findings, associated risk, recommended actions and Action Plans.

The Executive Director (Corporate Services) answered members' questions.

Resolved:

To accept the findings, recommendations and Action Plans detailed in Report 06/118.

(iv) 05/018 – Income/Debtors

There was submitted a report by the Chief Internal Auditor (06/119) (1) presenting a summary of the Internal Audit Report for Income/Debtors; (2) noting that in the

opinion of the Chief Internal Auditor, internal controls examined were 'Moderate'; and (3) detailing findings, associated risks, recommended actions and Action Plans.

Resolved:

To accept the findings, recommendations and Action Plans detailed in Report 06/119.

(v) 05/020 – Cash Collection

There was submitted a report by the Chief Internal Auditor (06/120) (1) presenting a summary of the Internal Audit Report on Cash Collection (General); (2) noting that in the opinion of the Chief Internal Auditor, internal controls examined were 'Moderately Strong'; and (3) detailing findings, associated risks, recommended actions and Action Plans.

Resolved:

To accept the findings, recommendations and Action Plans detailed in Report 06/120.

S MACKENZIE ENTERED THE MEETING AT THIS POINT.

5. INTERNAL AUDIT FOLLOW-UP WORK

There was submitted a report by the Chief Internal Auditor (06/126) presenting a summary of Internal Audit's Follow-up work.

S Mackenzie and T Rae answered members' questions.

Resolved:

- (1) To note the current position in respect of outstanding internal and external audit recommendations.
- (2) To agree that Chief Officers have highlighted to them the outstanding recommended actions to be taken in each case in order to promote the effectiveness of the audit process as detailed in Appendices A and B to Report 06/126.

S MacKENZIE, T RAE, L KNOWLES AND C ARCHIBALD LEFT THE MEETING AT THIS POINT.

6. NATIONAL FRAUD INITIATIVE - UPDATE

There was submitted a report by Chief Internal Auditor (06/127) outlining the action taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative.

Resolved:

To note the position in respect of the work undertaken with regard to the National Fraud Initiative (NFI).

COUNCILLOR MAIR LEFT THE MEETING AT THIS POINT.

7. INTERNAL AUDIT PLAN 2006-07 TO 2008-09

There was submitted a report by the Chief Internal Auditor (06/128) (1) describing the process followed in preparing Internal Audit's plan of work for 2006/2007 to 2008/2009 and; (2) presenting a summary of the plan for approval.

Resolved:

- (i) To approve Internal Audit's proposed work plan for the period of 2006/2007 to 2008/2009.
- (ii) To note the underlying assumptions regarding the level of resources available to Internal Audit.

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,

P1. INTERNAL AUDIT INVESTIGATIONS

There was submitted a report by the Chief Internal Auditor (06/129) presenting the outcomes of a number of internal investigations carried out by Internal Audit.

Resolved:

The Internal Audit reports appended to Report 06/129, arising from a number of internal investigations, were noted.