

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (*Art. 66(iii)*) (*Appendix I*)
4 February 2009

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 27 August 2008 at 2.00pm.

Present: Councillors K Baird, R Band (substituting for Councillor A Gaunt), J Law, W Lumsden and B Vaughan.

In Attendance: G Stevenson (Executive Director (Corporate Services)), K Woolard, J Clark, S Liston (for Item 3(i)(a)), P Dickson (for Item 3(b)(i)), M Cowdery (for Item 3(a)(ii)), D Henderson, K Wilson, L Harris and K Dewar (all Corporate Services); J Dickson, P Frazer, L Moyes (all Chief Executive's); L Cameron (Housing and Community Care); C Archibald and A Cook (both Education and Children's Services).

Also Attending: C Wylie (Henderson Loggie, External Auditors)

Apology for Absence: Mr J Howie.

Councillor Law, 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 28 May 2008 was submitted and approved as a correct record.

3. INTERNAL AUDIT UPDATE REPORT

There was submitted a report by the Chief Internal Auditor (08/417) presenting a summary of the status of Internal Audit's work for 2007/2008 against the Annual Plan and detailing (1) finalised assignments; (2) those assignments completed but where findings were under discussion with management; (3) assignments in progress; and (4) the schedule of planned audits with issue dates.

K Woolard, Chief Internal Auditor, spoke to the report and answered members' questions on the audit of the Revenue Budget, which had been assigned to externally sourced staff, and the annual audit planning process. Members noted that as a consequence of the Single Outcome Agreement there would be a shift from policy led budgeting to outcome budgeting.

Resolved:

The progress of Internal Audit's work against the 2007-2008 Annual Plan, as detailed in Appendices A and B to Report 08/417, be noted.

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(i) Corporate Services

(a) 07/004 – Payroll (Report 08/418)

There was submitted a report by the Chief Internal Auditor (08/418) setting out the results of an internal review of the Council's payroll system which had been undertaken to ensure that appropriate controls and procedures were in place for processing employees entering and leaving the Council's employment.

S Liston, Assistant Manager Payroll, Corporate Services, was present to answer members' questions. With reference to salary overpayments, S Liston confirmed that most of the sums due to the Council were recovered. It was noted that the introduction of the Integrated Human Resources Payroll (IHRP) system would have a significant impact on the way the Council's payroll processes would be administered and controlled.

Resolved:

The findings, recommendations and action plans, as detailed in Report 08/418 be noted.

S LISTON LEFT THE MEETING AT THIS POINT.

(b) 07/027 – Income/Debtors (Report 08/419)

There was submitted a report by the Chief Internal Auditor (08/419) setting out the results of a review of the procedures for processing and paying creditors and the adequacy and effectiveness of the internal controls for the debt recovery process to ensure that the Financial Regulations in relation to income and debtors were complete and implemented.

M Cowdery, Senior Exchequer Manager (Incomes) was present to answer members' questions in relation to Action Point 5. He explained that the Finance Division would return invoices to the Service at their request, if the Service had supplementary information on the services provided to attach to the invoice prior to issue. With regard to the comment that supplementary information should be attached to the invoice by the Service before it was issued to the invoicing department, he acknowledged that whilst procedures could be reviewed, the current system could not accommodate changes to the existing process and an upgrade to the current system, if considered viable, may be required.

Resolved:

- (i) The findings, recommendations and action plans, as detailed in Report 08/419, be noted.
- (ii) A progress report on the follow up work be submitted to a future meeting of the Audit Sub-Committee.

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M COWDERY LEFT THE MEETING AT THIS POINT AND P DICKSON ENTERED THE MEETING DURING CONSIDERATION OF THE FOLLOWING ITEM.

(ii) Corporate Services/Education and Children's Services

(a) 07/057(b) – Information Security (Report 08/420)

There was submitted a report by the Chief Internal Auditor (08/420) setting out the results of an internal review of the Council's information security practices as they relate to the ICT infrastructure to ensure that the infrastructures were operating in a controlled and secure manner to meet business objectives, and, in the absence of a specialist in-house computer audit function, to provide a risk assessment for planning future internal audit reviews.

D Henderson, Information Compliance Manager, gave an overview of the background to the information security environment, practice and policy and the control areas. The two groups, IST and EST worked together to common standards. He explained that the Service undertakes a self-evaluation exercise annually and prioritises areas based on information risk and the resources available. In relation to sanctions for non-compliance, Members were advised that a number of sanctions could be imposed.

In relation to the ICT Asset Register, key application systems were currently risk assessed and, whilst the ICT assets would be documented in line with the Asset Management Plan timescale of 2010, all systems were assessed. The Asset Register would be a useful tool for planning and tracking assets through to disposal. In relation to Action Point 5, D Henderson explained that the issue had been which group should approve the Information Security Plan, not approval itself; he confirmed that the Plan had now been approved. With regard to ICT Disaster Recovery Plan, K Wilson stated that in the event of a disaster, individual servers could be recovered and data was backed up off-site on a daily basis. It was noted that new technology was reducing the number of servers needed.

Resolved:

The findings, recommendations and action plans, as detailed in Report 08/420, be noted.

(iii) Education and Children's Services

(a) 07/001 - Investment in Learning Project (Report 08/421)

There was submitted a report by the Chief Internal Auditor (08/421) setting out the results of the review of the project plan framework, maintenance of the programme risk profile, governance structures, roles and responsibilities, communications and the award of the contract.

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A Cook, Investment in Learning Project Manager was present to answer Members' questions in relation to the changes in programme governance structures. He confirmed that the structures, approved by the School Estate Strategy Board had also been submitted to and approved by the Scottish Government.

Resolved:

The findings, recommendations and action plans, as detailed in Report 08/294, be noted.

A COOK LEFT THE MEETING AT THIS POINT.

(iv) Housing and Community Care

(a) 08/002 – Housing Revenue Account (Housing Rents) (Report 08/422)

There was submitted a report by the Chief Internal Auditor (08/422) setting out the results of a review of the Council's housing rent system and the procedures in place to ensure that all income and expenditure relating to the provision, improvement and management of the Council's housing stock is recorded separately.

L Cameron, Head of Strategy and Support, was present to answer Members' questions on the report. With particular reference to the Housing Stock Register, she explained that reconciliation of the number of Council-owned properties had already started and that this would be done independently from the information on the Housing Stock Register. To ensure accuracy, the information from the current systems, would be cross-referenced. The aim would be to eventually move to one system.

Resolved:

The findings, recommendations and action plans, detailed in Report 08/422 be noted.

(b) 07/017 - Mental Health Services (Report 08/423)

There was submitted a report by the Chief Internal Auditor (08/423) setting out the results of a review of the processes in place to ensure that the procedures prescribed in the 2003 Mental Health Act were being followed and that processes were in place to ensure that there was effective planning, organisation and control of how the legislation and Council policy was being applied.

Resolved:

The findings, recommendations and actions plans, detailed in Report 08/423 be noted.

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4. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (08/424) presenting a summary of Internal Audit's current follow-up work.

With reference to 'Following the Public Pound', G Stevenson advised that additional resources had been identified and the identified actions were being undertaken. In relation to early retirement, G Stevenson reported that the planned implementation date for the new Retirement Scheme would likely be 1 April 2009, along with the changes to the Local Government Pension Scheme. It was noted that a report on the required changes arising from the legislation would be submitted to the EOT in September 2008.

Resolved:

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

P DICKSON LEFT THE MEETING DURING CONSIDERATION OF THE FOLLOWING REPORT

5. INTERNAL AUDIT YEAR-END REPORT FOR 2007-2008

There was submitted a report by the Chief Internal Auditor (08/425) setting out the Chief Internal Auditor's year-end report and audit opinion for 2007/2008.

Members commented on the percentage of high, medium and low risk actions and were advised that the figures were similar to the previous year. In relation to the impact of Single Status on the recruitment and retention of staff, K Woolard advised that he would provide an update to the next meeting of the Sub-Committee.

Resolved:

- (i) The contents of Report 08/425, be noted.
- (ii) Appendix B to Report 08/425 be considered at the next meeting of the Audit Sub-Committee.

6. THE NATIONAL FRAUD INITIATIVE (Art. 49(ii)(5)/07)

There was submitted a report by the Chief Internal Auditor (08/426) summarising the results of the 2006/2007 National Fraud Initiative (NFI) exercise and outlining the progress on the preparations for the 2008/2009 initiative.

Resolved:

- (i) The summarised results of the 2006/2007 NFI exercise be noted.
- (ii) The arrangements being put in place in respect of the forthcoming 2008/2009 NFI exercise be noted.

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7. EXTERNAL AUDIT REPORT

(i) Financial Statements Audit Plan for 2008-2009

There was submitted a report by the External Auditor (08/427) on the approach taken to the audit of the Council's financial statements for the year ended 31 March 2008, providing an update of the interim audit work to date and highlighting national and local risk issues which may have an impact on the year-end audit.

C Wylie, External Auditor was present to speak to the report.

Resolved:

The External Auditor's Financial Statements Audit Plan for 2008-2009 be noted.

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