

## **AUDIT SUB-COMMITTEE**

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 22 September 2010 at 2.00pm.

Present: Councillors K Baird, W Lumsden, D Scott (substituting for A Gaunt), B Vaughan and A Wylie; and Mr J Howie.

In Attendance: J Clark, G Taylor, M Cochlan, K Dewar, D Farquhar, D Henderson (for Item 4(iii)), A McFarlane and J Somerville (all Chief Executives); C Mailer (Housing and Community Care); H Hope and R Thomson (both the Environment Service); and C Archibald (Education and Children's Services).

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

Apology for Absence: Councillor D Scott

### **1. APPOINTMENT OF CONVENER**

On the motion of Councillor Baird, seconded by Councillor Scott, Councillor Lumsden was unanimously elected as Convener of the Sub-Committee and thereafter presided.

COUNCILLOR LUMSDEN TOOK THE CHAIR.

The Convener noted that slippage on dates for compliance with action plans is an ongoing problem for audit and follow-up on the agreed action takes up valuable time for the audit section. She urged all service managers to cooperate both in setting realistic dates from the outset and in making a greater effort to bring in results within the timescales agreed.

She emphasised that internal audit should be viewed not as something designed to catch services out where controls are not in place or operating properly, but as a welcome assistance to the common aim of continued improvement and the Single Outcome Agreement.

### **2. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made in terms of the Councillors' Code of Conduct.

### **3. MINUTE OF PREVIOUS MEETING**

The Minute of Meeting of the Audit Sub-Committee of 9 June 2010 was submitted and approved as a correct record.

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

There was submitted a report by the Chief Internal Auditor (10/494) 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 2010 to July 2010.

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

##### **Summary of Outstanding Actions**

The ongoing problem of actions remaining outstanding was noted. Councillor Vaughan suggested that more realistic completion dates were set in the future and that the effort to meet deadlines was increased.

Councillor Vaughan asked if there was a particular reason for the apparently high number of outstanding actions attributed to the Chief Executive's. The Head of Democratic Services reported that she did not believe there to be a specific reason for this. J Clark added that for any individual service the data should be looked at in the context of the number of actions outstanding against the total number of actions for follow-up.

##### **Internal Audit Follow-Up**

###### **(i) 05/032 – Following the Public Pound (Action Point 1)**

Councillor Vaughan expressed concern that this action had been outstanding since March 2008 and asked if the October 2010 completion date was guaranteed. In the absence of a representative from Legal Services, it was agreed that the Head of Legal Services would be asked to provide a detailed written response to Committee members.

###### **(ii) 08/006 – Single Outcome Agreement (Action Point 1)**

Councillor Wylie noted that increasingly other agencies' timescales would impact on Council deadlines.

###### **(iii) 08/037 – Data Protection (Action Points 1 and 2)**

Councillor Baird noted that a specific request had been made for a relevant officer to be present at the meeting to provide further information for the continuing delay relevant to Data Protection - Action Points 1 and 2. It was agreed that the appropriate officer be asked to join the meeting.

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D HENDERSON ENTERED THE MEETING SHORTLY THEREAFTER WHEN CONSIDERATION OF THIS ITEM CONTINUED.

D Henderson explained that (1) the issue covered by the two outstanding action points had been considered a lower priority than initially anticipated and that it had now been agreed to improve data protection more generally across the Council; (2) delays had been due to the time required to identify lines of responsibility and the summer recess; (3) it had now been recognised that the issue centred on the provision of guidance in relation to third parties and contracts and (4) it was expected that a relevant report would be submitted to the Strategic Policy and Resources Committee on 1 December 2010.

Councillor Baird suggested that if an issue was no longer acknowledged by managers as being high priority that this should be reported to Internal Audit and reflected in future reports. Mr Howie suggested that Internal Audit should not be used as a safety net and that the ultimate responsibility lay with service managers.

**(iv) 09/009 – Employees’ Expenses (Action Point 2)**

Councillor Vaughan expressed concern that part of the explanation for the delay in completion was due to the requirement for Trade Union consultation and she suggested that such consultation should already have been taken into account when the target date had been agreed.

**(v) 06/002b - Fleet Management (Action Point 14)**

In response to a question from Councillor Vaughan, H Hope reported that November 2010 was now the confirmed date for completion.

**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.

**5. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (10/495) presenting a summary of the status of Internal Audit’s work for 2009/10 against the annual plan and detailing: (1) those assignments completed but where findings were under discussion with management; (2) assignments in progress; (3) the schedule of planned audits for 2009/10 and previous years; and (4) proposing amendments to planned assignments.

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**Resolved:**

- (i) The progress of Internal Audit's work against the plans for 2009/10 be noted.
- (ii) The deletion of the two assignments, as detailed at Section 3.2 of Report 10/495, from the Internal Audit Plan 2009/10, be approved.

The Sub-Committee considered the following final reports:-

**(i) Chief Executive's Service**

**(a) 09/003 – Statutory Performance Indicators – 2009/10 Interim Audit of Performance Indicators**

There was submitted a report by the Chief Internal Auditor (10/496) setting out the results of the Internal Audit Review of controls in place corporately within Perth and Kinross Council to ensure reliability of performance information in response to the requirements of the 2008 SPI Direction.

In response to a question from Councillor Vaughan regarding the removal of Statutory Performance Indicators (SPIs) from the Business Management and Improvement Plans (BMIP) and on the correction of errors, M Cochlan advised (1) there was currently a review of collection of data across the Council, (2) there would be increased training for officers, and (3) a generally more proactive role was being adopted. In response to a question from Councillor Vaughan, M Cochlan also confirmed that these measures would be reflected in future reports.

In response to a question from Mr Howie, C Wyllie, External Auditor, reported that there had been a change in statutory guidance relevant to SPIs, with increased responsibility placed on councils to verify their own data. She added that, despite increased flexibility, benchmarking against other councils would continue.

The Convener asked if the Strategic Policy and Resources Committee had been made aware that the list of indicators submitted in April 2010 did not fully satisfy Direction 2008. M Cochlan noted that this would be included in the review report which would be submitted to a future meeting of the Committee.

**Resolved:**

The findings recommendations and action plan, as detailed in Report 10/496 be noted.

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**(ii) The Environment Service**

**(a) 09/065 – Cycling, Walking & Safer Streets (CWSS) Grant Claim**

There was submitted a report by the Chief Internal Auditor (10/497) setting out the results of the Internal Audit Review of controls in place to ensure that there was adequate supporting documentation for the 2009/10 Cycling, Walking and Safer Streets Grant Claim.

**Resolved:**

The findings, recommendations and action plan, as detailed in Report 10/497, be noted.

**(iii) Housing and Community Care**

**(a) 08/027 - Services to Homeless People**

There was submitted a report by the Chief Internal Auditor (10/498) setting out the results of the Internal Audit Review of controls in place to ensure that: (1) the Council had in place procedures which should ensure that the implementation of the Improvement Plan agreed with Communities Scotland would secure the necessary improvement in the Council's service performance; and (2) the Council had in place a soundly-based policy, compliant with both homelessness legislation and the principles of 'best value', which identified required actions and was appropriately communicated.

Councillor Vaughan noted that this was an encouraging report, especially in terms of lessons learned.

In response to a question from Councillor Vaughan, G Taylor advised that a single officer had the responsibility for the oversight of the Council's website, but that it was the responsibility of individual services to ensure updates were made and were accurate. C Mailer added that an ongoing exercise in relation to this was being undertaken within Housing and Community Care and she confirmed that website updates were the responsibility of service managers. She also reported that, in terms of Action Point 6, February 2011 was a realistic completion date.

**Resolved:**

The findings, recommendations and action plan as detailed in Report 10/498 be noted.

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**(b) 09/028 – Housing Allocations**

There was submitted a report by the Chief Internal Auditor (10/499) setting out the results of the Internal Audit Review of controls in place to ensure that: (1) there was an appropriately authorised, and legally compliant policy which is based on good practice; (2) the activity was supported by adequate procedures consistent with the policy; (3) staff were aware of the new procedures and have been trained in their implementation; and (4) working practices were consistent with policy and procedures.

In response to a question from the Convener, C Mailer confirmed that it had been accepted by the Service that the delay in the implementation of the Housing Allocations Policy should have been included in the Business Management and Improvement Plan Performance Exception Report presented to the Housing and Health Committee in October 2009.

**Resolved:**

The findings, recommendations and action plan as detailed in Report 10/499 be noted.

**6. THE NATIONAL FRAUD INITIATIVE (NFI) 2008-2009 AND 2010-2011**

There was submitted a report by the Chief Internal Auditor (10/500) (1) reporting findings of the 2008/2009 National Fraud Initiative (NFI) exercise; and (2) outlining the preparations currently underway in respect of the 2010/2011 exercise.

J Clark confirmed that, in respect of blue badge holders, the onus had been removed from relatives to return badges and instead the Council now received notification of the death of a badge holder and the badge was subsequently cancelled and deleted from the database.

**Resolved:**

- (i) The position in respect of the work that had been undertaken in connection with the NFI for 2008/09 be noted.
- (ii) The work being undertaken in preparation for the 2010/11 exercise be noted.

**7. INTERNAL AUDIT YEAR-END REPORT FOR 2009/10**

There was submitted a report by the Chief Internal Auditor (10/501) presenting the year end report and audit opinion, as set out at Section 8 of Report 10/501, for 2009/10 of the Chief Internal Auditor.

J Clark reported that this was a summary of work undertaken by Internal Audit during a challenging year.

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In response to a question from Mr Howie regarding reference to trends relevant to qualified staff, J Clark referred to the Institute of Auditors and to the specialised training which was not just specific to finance and which took approximately three years to complete.

Councillor Vaughan congratulated staff in the audit team on the consultancy-style project undertaken during the year.

In response to a question from Councillor Wylie, J Clark advised that restructuring of the internal audit function was also taking place in other councils.

Mr Howie asked External Audit to comment as to the adequacy of work being undertaken within the Council. The Convener also requested comment on the Chief Internal Auditor's opinion that reasonable reliance could be placed on the Council's systems of internal control for 2009/10. C Wylie, External Auditor, suggested that this was a time of change, when comparisons with other councils could be difficult to make. C Wylie acknowledged that there had been significant difficulties to resolve within Internal Audit and that it was important to understand what risks were not covered. She added that councils also had the option to cover risks in other ways.

**Resolved:**

The contents of Report 10/501, which was submitted to ensure compliance with CIPFA's Code of Practice for Internal Audit in Local of Government in the United Kingdom 2006 (the Code of Practice), be noted.

**8. EXTERNAL AUDIT REPORT**

**(i) Audit Progress Report**

There was submitted a report by the External Auditor (10/502) recording the stage of progress of each output proposed in the operational plan for 2009/2010.

C Wylie, External Auditor, was present to speak to the report and answer members' questions.

**Resolved:**

The contents of Report 10/503 be noted.

**9. THE INTERNAL AUDIT PLAN 2010/11**

There was submitted a report by the Chief Internal Auditor (10/503) presenting the proposed internal audit plan for the remainder of the financial year for 2010/11.

In response to a question from C Wylie, External Auditor, J Clark advised that the anticipated timing of work related to Housing/Council Tax Benefits would be between January and March 2011. C Wylie also noted that the main financial

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systems were not covered in the plan and J Clark reported that Internal Audit's scope was wider than finance and that a diverse area was covered. Councillor Vaughan suggested that the plans for 2011 be looked at again in six months time. Councillor Wylie asked a question related to Mental Health Services and J Clark advised that the Council did not always require to examine external records but that there were external contacts when such examination was required.

**Resolved:**

The proposed internal audit plan for the remainder of the financial year 2010/11 be considered and approved.

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