

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 29 June 2006 at 10.00am.

Present: Councillors Barrett, Ellis, Mair, Jack, Lennie and Mr J Howie.

In Attendance: A Nairn, J Symon (for Item 2(a)), K Woolard and M Kay (all Corporate Services), M Walker and C Archibald (both Education & Children's Services) and G Fraser (Housing & Community Care).

Also Attending: R Browne (External Auditor)

Councillor Ellis, Convener, Presiding

At the commencement of the meeting, the Convener welcomed Mr J Howie to his first meeting following his appointment as an external member of the Audit Sub-Committee.

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 11 May 2006 was submitted and approved and signed as a correct record.

(a) Financial Strategy 2004/05 (Item 5(a)(iii) refers)

J Symon, Head of Finance, was present as requested at the previous meeting of the Sub-Committee to explain Perth and Kinross Council's approach to determining Financial Strategy.

J SYMON LEFT THE MEETING AT THIS POINT.

3. INTERNAL AUDIT FOLLOW-UP WORK

There was submitted a report by the Chief Internal Auditor (06/484) presenting a summary of Internal Audit's Follow-up work.

Resolved:

- (i) The current position in respect of outstanding internal and external audit recommendations be noted.
- (ii) The Head of Human Resources be requested to provide information for circulation to Members of the Sub-Committee explaining the reasons for any outstanding work in relation to job descriptions.
- (iii) It be noted that the completion date for the outstanding action in relation to the early retirement policy was likely to be brought forward from September 2007.
- (iv) An update on the position on the Trading Accounts Audit be submitted to the next meeting of the Sub-Committee and the Head of Property be invited to attend if actions remain outstanding.

4. EXTERNAL AUDIT REPORTS

(a) Financial Statements Audit Plan 2005/06

There was submitted a report by the External Auditor (06/485) detailing the External Auditor's approach to the audit of the Council's Financial Statements for the year ending 31 March 2006. R Browne, Audit Scotland, provided additional information in relation to a new type of fixed interest rate loan for debt rescheduling.

Resolved:

The contents of the External Auditor's report be noted.

(b) Audit Risk Analysis & Plan 2005/06

There was submitted a report by the External Auditor (06/486) summarising the key risks facing Perth and Kinross Council and setting out the external audit work to be undertaken in 2005/2006.

R Browne, Audit Scotland, gave a presentation on how Audit Scotland was modernising the audit using a Priorities and Risk Framework and taking account of the work being undertaken by Perth and Kinross Council in taking forward the Modernisation and Improvement agenda. She also advised that Audit Scotland would be replaced by Henderson Logie as the Council's External Auditors for the following year. In response to an enquiry from Mr I Howie, she explained how external auditors determined priorities and focussed resources.

Resolved:

- (i) The contents of the External Auditor's report be noted.
- (ii) Consideration be given as to how best to involve Elected Members in the Priorities and Risk Framework approach.

(c) Website Overview Follow-Up 2005/2006

There was submitted a report by the External Auditor (06/487) reviewing the progress made on implementing the recommendations of the external audit of the Council's website.

Resolved:

- (i) The contents of the External Auditor's report be noted.
- (ii) The Head of Performance Planning and Management or his representative be invited to the next meeting to (1) provide an assurance that the target date of December 2006 for the completion of the website strategy could be achieved and (2) answer questions on balance of priorities and ease of navigability of the website.

(d) Housing System Migration Follow-Up 2005/06

There was submitted a report by the External Auditor (06/488) reviewing the progress made on implementing the recommendations in the external audit report on the Housing System Migration. R Browne, Audit Scotland, explained that whilst the level of progress had caused concern this had now progressed satisfactorily.

G Fraser, Head of Housing Operations, was present to answer members' questions on the report in relation to software language used and the need to develop system interfaces.

Resolved:

The contents of the External Auditor's report be noted.

5. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (06/489) presenting a summary of Internal Audit's current work.

K Woolard, Chief Internal Auditor, reported on the staffing levels within Internal Audit and the recruitment process underway for appointing two qualified auditors.

Resolved:

The position in respect of current Internal Audit work be noted.

(a) 05/035 – New Legislation

There was submitted a report by the Chief Internal Auditor (06/490) setting out the results of the internal audit review of internal controls for the implementation of new or

amended legislation. It was noted that the deadlines reflected the staffing position within Legal Services, however, concern was expressed as to interim action to be taken.

Resolved:

- (i) The findings, recommendations and action plan detailed in Report 06/490 be noted.
- (ii) The Chief Internal Auditor seek information from the Head of Legal Services on the current position and the reasons for the extended date for completion and the action to be taken in the interim and circulate this to members of the Sub-Committee.
- (iii) The Head of Legal Services be invited to attend the next meeting of the Sub-Committee to answer members' questions and to update them on progress.

(b) 05/024 – Building Services

There was submitted a report by the Chief Internal Auditor (06/491) setting out the results of the internal audit review of current systems and controls in place for the management of building services and their activities and performance.

G Fraser, Head of Housing Operations, was present to answer members' questions on the report, in relation to the delay in completion of actions and the progress being made in implementing these through the new repairs organisation; job descriptions; objectives; non-smoking policy; health and safety training and inventories.

Resolved:

- (i) The findings, recommendations and action plan detailed in Report 06/491 be noted.
- (ii) The Head of Housing Operations seek advice from the Head of Legal Services in relation to the Council's terms and conditions of purchase.
- (iii) The Head of Housing Operations ensure that an inventory is taken of container contents.

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

(c) 05/014 – Concert Hall

There was submitted a report by the Chief Internal Auditor (06/492) setting out the results of the internal audit review of systems and controls in place for the Service Level Agreement between the Council and Horsecross, the contract for provision of the paved area surrounding the Concert Hall and the funding provided for the construction contract.

M Walker, Head Of Youth, Community, Arts & Cultural Services, was present to answer members' questions on the report relating to the development of the relationship between Education & Children's Services, Perth and Kinross Leisure and the Board of Perth Theatre (Horsecross) and monitoring in relation to financial reports and staffing issues including attendance at board meetings and complaints procedures. K Woolard stressed this was not an audit of Horsecross but of Council procedures relating to specification of the Service Level Agreement. Information was also requested on any additional costs related to site clearance for the external works.

Resolved:

- (i) The findings, recommendations and action plan detailed in Report 06/492 be accepted.
- (ii) The Chief Internal Auditor seek information on any additional costs relating to site clearance and report back thereon to the next meeting of the Audit Sub-Committee.