

## **AUDIT SUB-COMMITTEE**

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 20 January 2010 at 2.00pm.

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

In Attendance: J Symon, G Taylor, H Mackenzie, J Clark, D Farquhar, F Mackay, A Wilson, M Kay, K Dewar and A Ramsay (all Chief Executive's); B Renton (the Environment Service); C Archibald (Education and Children's Services) and S Strathearn (Housing and Community Care).

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

Apology for Absence: Councillor A Gaunt.

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 18 November 2009 was submitted and approved as a correct record.

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

There was submitted a report by the Acting Chief Internal Auditor (10/11) 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 September to December 2009.

J Clark advised that future reports would show the disaggregated parts of the former Corporate Services within the revised service structure.

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

#### **(i) Summary of Outstanding Actions**

Concern was expressed that the number of outstanding actions had not decreased and Councillor Law asked Services to give higher priority to agreed actions.

**(ii) 06/005 – Agency Workers**

Councillor Law referred to the concern expressed by members when the report was first considered, that the Council should not use migrant workers employed through agencies on less favourable terms and conditions than permanent staff. H Mackenzie reported on the Council's use of agency workers, arrangements for the assessment of tenderers' recruitment policies and the need for clear specifications to ensure agency workers had the necessary qualifications for any vacancy.

**(iii) 08/020(b) – Cash Banking and Anti-Money Laundering (Action Point 5)**

In response to a request from Councillor Lumsden for further information on issues referred to in the action, J Symon advised that this related to performance concerns in a number of areas which were being addressed.

**(iv) 08/037 – Data Protection (Action Point 1)**

Councillor Law stressed that every effort should be made to complete this action by the end of June 2010.

**(v) 08/003 – Capital Projects (Action Point 6)**

It was noted that this action remained outstanding and that a revised completion date required to be agreed with internal audit.

**(vi) 08/030 – Flood Mitigation (Action Points 1 and 2)**

J Clark reported that both actions were now complete.

**Resolved:**

- (i) The current position in respect of the outstanding agreed actions arising from internal/external audit work be noted.
- (ii) The agreed action plans be progressed taking into account the recorded audit opinion.
- (iii) Information on the outstanding action in relation to 08/003 – Capital Projects (Action Point 6) be provided by Housing and Community Care at the next meeting.

**4. INTERNAL AUDIT UPDATE**

There was submitted a report by the Acting Chief Internal Auditor (10/12) presenting a summary of the status of Internal Audit's work for 2008/09 and 2009/10 against the annual plans and detailing: (1) finalised reports issued; (2) those assignments completed but where findings were under discussion with management; (3) assignments in progress and (4) the schedule of planned audits for 2008/09 and 2009/10.

In response to an enquiry from Councillor Vaughan as to the level of involvement of services in the development of the Audit Plan, J Clark explained the

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revised methodology to be used in the development of the 2010/11 Plan in engaging with services and elected members and this would also take account of anticipated pressures within services and corporate risk management issues.

**Resolved:**

The progress of Internal Audit's work against the plans for 2008/09 and 2009/10 be noted.

The Sub-Committee considered the following final reports:-

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

**(a) 09/004 – Risk Management Framework within Perth and Kinross Council**

There was submitted a report by the Acting Chief Internal Auditor (10/13) setting out the results of the Internal Audit Review of controls in place to ensure the adequacy and effectiveness of the Council's overall corporate framework for managing risk.

Officers reported on the various arrangements in place within the Council for managing risk including the development of the Service Improvement Board chaired by the Executive Director (Housing and Community Care), the introduction of risk management champions within services, the work of the Corporate Risk Management Group and the involvement of Senior Management Teams. The risk champions, together with the Corporate Risk Manager, supported and challenged Senior Management Teams to ensure risks were managed effectively. It was noted that work was ongoing to address changes brought about by the recent disaggregation of Corporate Services.

F Mackay explained that the focus was on key risks, but noted that there were many risks managed on a day-to-day basis. C Archibald reported that a bi-annual workshop was held within Education and Children's Services on risk management which identified key risks.

B Renton advised that, whilst Environment Services were addressing identification of risks differently in the current year, the Corporate Risk Manager was assured that the proposed actions in this regard were robust. Service representatives present outlined their Service's major risks and the action being taken to mitigate these.

J Clark reported that, in carrying out the audit, consideration had been given to the Priorities and Risks Framework Report/Return (09/319) submitted to Council on 24 June 2009 and the Annual Review of Service Risks and Risk Management Activity Report

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(09/438) considered by the Scrutiny Committee on 16 September 2009. C Wyllie, Henderson Loggie reported that the Performance and Risk Framework for the current year would not contain the same level of detail as the extensive report submitted in 2009 and final guidance was awaited on this; she anticipated that the External Audit draft plan would be submitted to the Audit Sub-Committee at the next meeting.

Councillor Law enquired as to the appropriate governance of risk at elected member level and G Taylor advised that the Priorities and Risk Framework was Perth and Kinross' contribution to a national survey and was accordingly submitted to Council, whilst the report to the Scrutiny Committee was internally focussed on Perth and Kinross Council's management of risks; it was noted that, whilst this report was a statistical exercise, it was intended that information on risks would be included in Business Management and Improvement Plans (BMIPs) in addition to the annual report to the Scrutiny Committee. Councillor Law enquired when elected members would have the opportunity to be involved in BMIPs, G Taylor noted that there would be significant opportunities for members to have sight of these prior to submission to Committee in May 2010.

In response to a question from Councillor Law as to participation rates in on-line training and the risk survey undertaken, F Mackay reported that preparatory work would be carried out prior to the next survey with a view to increasing participation levels.

**Resolved:**

The findings, recommendations and action plan as detailed in Report 10/13 be noted.

**(b) 08/008 – Committee Services**

There was submitted a report by the Acting Chief Internal Auditor (10/14) setting out the results of the Internal Audit Review of controls in place over the key processes within Committee Services.

A Wilson, Democratic Manager (Committee) and G Taylor, Head of Democratic Services, were present to answer members' questions and provide information on proposals for improving presentation of documented policies in place; action being taken to assist services to improve the quality of reports submitted, including the level of consultation which required to take place. Services were required to use a report template and authors were responsible for undertaking consultation. It was noted that a number of the original targets had been overly ambitious and it would be necessary to discuss revised completion dates with

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Internal Audit. J Clark advised that targets were agreed with managers as to what was reasonable and achievable.

**Resolved:**

- (i) The findings, recommendations and action plan as detailed in Report 10/14 be noted.
- (ii) Consideration be given to the wording of the consultation paragraph in the Committee Report Template to make clearer what level of consultation had taken place.

A WILSON LEFT THE MEETING AT THIS POINT.

**(ii) The Environment Service**

**(a) 09/031 – Cycling, Walking and Safer Streets (CWSS) Grant Claim**

There was submitted a report by the Acting Chief Internal Auditor (10/15) setting out the results of the Internal Audit Review of controls in place to ensure that there is adequate and appropriate documentation to support the 2008/09 Cycling, Walking and Safer Streets Grant Claim.

In response to a question from Councillor Law as to the level of the grant claim, B Renton agreed to provide information to the Convener on this following the meeting.

**Resolved:**

The findings, recommendations and action plan as detailed in Report 10/15 be noted.

**(iii) Corporate Services**

**(a) 09/009 – Employee Expenses**

There was submitted a report by the Acting Chief Internal Auditor (10/37) setting out the results of the Internal Audit Review of controls in place to ensure the Council's Travel and Subsistence Policy is up to date and based on the relevant agreements; that employees travel and subsistence expenses are accurate, genuine and paid efficiently, economically and on time and that travel and subsistence payments made to employees comply with Her Majesty's Revenue and Customs Regulations.

Councillor Law made mention of the recurrent theme within reports of policy documents being out of date. H MacKenzie reported that Single Status staff documentation was current; but noted that there had been changes to VAT requirements in 2008. A managers' factsheet had been issued and new claim forms placed online for staff use; however, the VAT changes had not been included in documentation relating to teachers but would be once consultation with the relevant trade unions was

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complete. It was hoped that it would be possible to have a single policy document for all staff.

Councillor Law noted that no expenses had been paid incorrectly.

**Resolved:**

The findings, recommendations and action plan as detailed in Report 10/37 be noted.

**5. EXTERNAL AUDITORS' REPORT TO MEMBERS AND CONTROLLER OF AUDIT 2008/09**

There was submitted a report by the Head of Finance (09/610) as referred from Council on 16 December 2009, accompanying the External Auditor's Final Report to Members for financial year 2008/09.

C Wyllie, External Auditor, answered members' questions in relation to stated efficiency savings and procurement practices. In response to questions from Councillor Lumsden, J Symon responded as follows: (a) on changes in assumptions made as to pension liabilities, he advised that the asset values were dependent on the prevailing stock market conditions; (b) on the review of Common Good assets, he advised that Property and Legal Services were progressing this, but that there were resourcing issues. C Wyllie confirmed that this was common to other local authorities as this was a major exercise with a number of difficulties to be addressed; (c) on the method used for valuation of housing stock, J Symon explained the approach taken which was now being adopted by other local authorities.

**Resolved:**

The contents of Report 09/610 be noted.

**6. NATIONAL FRAUD INITIATIVE 2008/09 – PROGRESS REPORT**

There was submitted a report by the Acting Chief Internal Auditor (10/16) outlining the action that has been taken by Perth and Kinross Council in response to the requirements of the National Fraud Initiative.

In response to a question from Councillor Vaughan on the position of Council employees who were also Directors of Companies, it was explained that this would require to be declared under the Employees Code of Conduct.

**Resolved:**

- (i) The National Fraud Initiative (NFI) be noted.
- (ii) A further report be submitted at the conclusion of the exercise to the Audit Sub-Committee.

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