

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 20 May 2009 at 2.00pm.

Present: Councillors J Law, K Baird, A Gaunt and B Vaughan; and Mr J Howie.

In Attendance: J Symon, K Woolard, J Clark and E Crighton (all Corporate Services); J Walker (Environment Services); H Turley (Housing and Community Care); T Sutherland and A Wilson (Chief Executive's).

Also Attending: A Borrows (Henderson Loggie, External Auditors).

Apology for Absence: Councillor W Lumsden

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 11 March 2009 was submitted and approved as a correct record.

Arising from Page 5, paragraph 5 of that Minute, Councillor Vaughan noted that there had been a conflict of dates involving the members of the Audit Sub-Committee and the holiday recess period which had adversely affected attendance at the meetings arranged for elected members on the BMIP process.

The Sub-Committee agreed that more advanced notice was required of these and similar meetings in future.

3. INTERNAL AUDIT FOLLOW-UP WORK

There was submitted a report by the Chief Internal Auditor (09/237) presenting a current summary of the status of Internal Audit's work and detailed: (1) 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 January to March 2009.

Resolved:

The following points be noted:-

- (i) In relation to Corporate Services, several outstanding dates remained by which identified actions should have been taken, but had not yet been completed.

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- (ii) The Executive Director (Corporate Services) had undertaken to consider ways of increasing the clear-up rate.
- (iii) The Chief Internal Auditor further confirmed that the target dates were set by the management of each Service, and that sometimes these deadlines required to be extended.
- (iv) It was important to focus upon the risk implications of not completing the actions identified.
- (v) The current position in respect of the outstanding agreed actions arising from internal and external audit work, generally be noted, and in particular the following:

Appendix B: Internal Audit Follow-Up

(a) Internal Audit 08/018 – Councillors’ Expenses

The Head of Service had advised that this work was due to be completed by the end of May 2009.

Appendix C: Internal Audit Follow-Up – Corporate Services

(b) 05/032 – Following the Public Pound (FPP)

The Committee requested clarification as to whether a report would be made available to elected members.

(c) 05/032 – Following the Public Pound (Action Point 6)

E Crighton confirmed that this action was currently under way and would be completed shortly.

(d) 05/032 – Following the Public Pound (Action Point 11)

E Crighton advised that there was no new information in relation to arms length external organisations (ALEOs).

(e) 06/005 – Agency Workers (Action Point 8)

J Walker reported that the Service was examining the wider perspective of using agency workers in Perth and Kinross Council. Guidance was now available to Services on eric. It was necessary to go through the appropriate procurement process via Scotland Excel. The Convener sought clarification that Human Resources were represented in the development of procedures.

In response to Councillor Vaughan as to the length of time taken to action this point, E Crighton advised that when the actions had been agreed, only Human Resources had been involved; however new joint procurement arrangements involving other Councils increased the complexity. J Walker advised that the contractual arrangements put in place by Scotland Excel to an extent superseded work done so far.

(f) 07/016 – Insurance (Action Point 1)

J Symon confirmed that this action was under way. While the outcome could be reported to the Strategic Policy and Resources Committee, the delegated powers available to officers meant that it was unlikely that a Committee decision would be necessary. This had been previously dealt with by senior management. He would consider the reporting route further when developing the strategy with a view to making a recommendation to Committee.

(g) 07/024 – Occupational Stress (Action Point 7(2))

E Crighton advised that the stress issue would be raised at ERD interviews in cases where stress had been an issue previously. The next employee survey was due out in September. Members would be advised on agreed improvement actions in June through the Corporate Health and Safety Committee in June 2009. Figures on stress incidence were currently reported to Human Resources.

Appendix D: External Audit Follow-up – Corporate Services

(h) 2005/2006 – Following the Public Pound (FPP) (Action Point 2)

K Woolard advised that extensions to the Council's powers, for example, through the development of the power of wellbeing, would affect FPP procedures, and that the revised Code on Following the Public Pound would incorporate a process to ensure that the Council's objectives were achieved through the funding of Arm's Length External Organisations (ALEOs).

Appendix E: Internal Audit Follow-Up – Education and Children's Services

(i) 06/041(a) – Contract Monitoring (School Cleaning); and 06/041(b) – Contract Monitoring (School Catering) (Action Point 5)

T Sutherland advised that this work would be scheduled for completion in April 2010 to enable any recommendations arising from the forthcoming Best Value Reviews to be taken into account.

Appendix F: Internal Audit Follow-Up – Housing and Community Care

(j) 07/003 – Community Care (Financial Guardianship) (Action Point 5)

H Turley advised that efforts were continuing to meet with the Health Commission to progress the outcomes arising from published inspection reports.

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(k) 07/057(a) – Information Security (Action Point 2)

K Woolard confirmed that the SWIFT system password did not comply with the corporate password policy, but efforts were continuing to find a solution.

Appendix G: External Audit Follow-Up – Housing and Community Care

(l) Audit Scotland Inspection: Housing Benefit/Council Tax Benefit (Action Points 4 and 5)

H Turley advised that work was continuing with the software supplier to resolve the outstanding difficulties.

(m) Henderson Loggie: SMART Action Plan for 2007-2008 – Housing Benefit and Council Tax Benefits (Action Point 4.4.6)

H Turley advised that the Business Case had not been presented to the Senior Management Team in April and that costs were still under consideration.

Appendix H: Internal Audit Follow-Up – The Environment Service

(n) Fleet Management (Action Points 13 and 14)

J Walker confirmed with K Woolard that all action had been completed.

- (vi) The agreed action plans be progressed, taking into account the recorded audit opinions.

4. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (09/238) presenting a summary of the status of Internal Audit's work for 2008/09 against the annual plan 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 with issue dates for 2008/09.

K Woolard advised that in Appendix A of Report 09/238, Section 1 (final reports which had been issued) Audit Number 08/003 related to Housing and Community Care Capital Projects, and not Corporate Capital Projects as shown in Appendix A.

Resolved:

The Chief Internal Auditor's report be accepted.

The Sub-Committee considered the following final reports:

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(i) Housing and Community Care

(a) 08/003 – Capital Projects

There was submitted a report by the Chief Internal Auditor (09/239) setting out the results of the Internal Audit Review of controls in place to ensure that: (1) the programme for Council housing refurbishment was being undertaken in accordance with appropriate legislation and/or the Council's policies and procedures; and (2) adequate and effective management arrangements were in place towards achieving the programme/project objectives.

H Turley, Housing and Community Care, was present to answer members' questions on the findings of the audit. She confirmed that with reference to Action Point 3, a Housing Stock conditions survey was due to take place in July 2009. She also confirmed that the requirements of Action Point 1 were complete.

Resolved:

The findings, recommendations and action plan as detailed in Report 09/239 be noted.

H TURLEY LEFT THE MEETING AT THIS POINT.

(ii) Corporate Services

(a) 08/019 – General Ledger

There was submitted a report by the Chief Internal Auditor (09/240) setting out the results of the internal audit review of controls in place to ensure that: (1) there were appropriate adequate and up to date policies and procedures in place for the guidance of staff and compliance with statutory requirements, regulations and best practice; (2) access to the Ledger was controlled by a designated system administrator, that access to users was permitted for authorised purposes only, and that access was controlled by passwords which required to be periodically changed; (3) there was a comprehensive and up to date listing of financial codes for the guidance of staff and that amendments to the codes were subject to appropriate authorisation; (4) suspense accounts were regularly monitored and cleared; (5) all transactions input were recorded completely and accurately; (6) all journal entries and manual adjustments were appropriately authorised and bore adequate narrative descriptions of the nature of the entries; and (7) there was adequate guidance on the processes for period reconciliation with other ledgers and closure of accounts at the year end.

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John Symon, Corporate Services, was present to answer members questions on the findings of the audit, and on the progress being made. He confirmed that Action Point 1 had been resolved.

K Woolard advised that the service had requested an extension of time for completion of Action Point 2, to September 2009, there being more work required than had been originally thought.

In relation to Action Point 5, J Symon advised that the very large number of finance codes included some inactive codes which were not reported upon. The planned review of the coding structure would lead to these obsolete codes being deleted or rationalised as they went out of use.

Resolved:

The findings, recommendations and action plan detailed in Report 09/240 be noted.

5. EXTERNAL AUDIT REPORT

Audit Progress Report 2008/2009

There was submitted a report by the External Auditor (09/241) setting out the progress against the External Auditor's operational plan for 2008/2009.

(i) Governance – Housing Benefit/Council Tax Benefit Subsidy Management Letter

A Borrows confirmed that draft management letter would shortly be issued.

(ii) Financial Statements Audit Plan

A Borrows referred to the possibility of the External Auditor requiring to do additional work at the year end audit depending on progress made by Internal Audit with the latter's work programme, with consequent increased costs to the Council.

Resolved:

The External Auditor's progress report be noted.

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