

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (*Art. 363(ii)*) (*Appendix I*)
11 June 2008

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 Wednesday 19 March 2008 at 2.00pm.

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

In Attendance: G Stevenson (Executive Director (Corporate Services)); K Woolard; J Clark and A Machan (all Corporate Services); J Valentine (Depute Executive Director (Environment)) and N Ballantine (both The Environment Service); C Archibald (Education and Children's Services); P Lakie (Housing and Community Care); J Dickson, S Hendry and M Cochlan (all Chief Executive's).

Also Attending: C Wyllie and M Richardson (both External Auditors) and A McDonald (Senior Manager, Best Value Audit Team).

Councillor Law, Convener, Presiding.

1. DECLARATIONS OF INTEREST

In terms of the Councillors' Code of Conduct, Councillor Law declared a financial interest in Paragraph 4 (Appendix G – Development Management and Planning Applications).

2. MINUTE OF PREVIOUS MEETING

The Minute of Meeting of the Audit Sub-Committee of 23 January 2008 was submitted and approved as a correct record.

3. INTERNAL AUDIT UPDATE REPORT

There was submitted a report by the Chief Internal Auditor (08/160) presenting a summary of Internal Audit's work for 2007-08 against the Annual Plan and detailing (a) finalised assignments; (b) those assignments completed but where findings were under discussion with management; (c) assignments in progress; and (d) the schedule of planned audits with issue dates.

K Woolard, Chief Internal Auditor, spoke to his report answered members' questions.

Resolved:

- (i) The progress of Internal Audit's work against the 2007-2008 Annual Plan, as detailed in Appendices 1 and 2 to Report 08/160, be noted.
- (ii) The audit of Building Services – Contracts/Building and Single Status be withdrawn from the 2007/2008 audit plan and a recommendation be made to an early meeting of the Audit Sub-Committee as to their inclusion in a future audit plan.

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- (iii) The audit of Community Care Transport and School Transport contracts be extended to include an audit of support for local bus services.

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

(a) 07/010 – Systems Development Procedures

There was submitted a report by the Chief Internal Auditor (08/161) setting out the results of an internal audit review on (1) the adequacy of controls over identifying computerised systems operating in the Council; (2) ICT strategy and governance; (3) the mechanism for prioritising and managing developments and (4) the level of guidance available to management and staff for controlling software and hardware procurement processes.

K Woolard, Chief Internal Auditor, A Machan, Auditor and J Valentine, Depute Director (Environment) were present to answer members' questions in relation to project management support, alignment of projects to key corporate objectives, and attendance at the Corporate Resources Group.

Resolved:

- (i) The findings, recommendations and action plans, as detailed in Report 08/161, be noted.
- (ii) The alignment between the key objectives of the Corporate Plan, Business Management and Improvement Plans (BMIPs) and Organisational Change and Improvements Plans (OCIPs) be explored in the Management Plan.

A MACHAN LEFT THE MEETING AT THIS POINT.

(ii) Corporate Services

(a) 07/016 – Insurance

There was submitted a report by the Chief Internal Auditor (08/162) setting out the results of an internal audit review of the Corporate Insurance and Claims Team's administration and control mechanisms for the Council's insurances.

Resolved:

- (i) The findings, recommendations and action plans, as detailed in Report 08/162, be noted.
- (ii) A report on the anomalies highlighted in the review in relation to claims handling by the Council's main insurer be submitted to the next meeting of the Audit Sub-Committee.
- (iii) A report on the outstanding action points in relation to loss control visits be submitted to the next meeting of the Audit Sub-Committee.

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4. INTERNAL AUDIT FOLLOW-UP WORK

There was submitted a report by the Chief Internal Auditor (08/163) presenting a summary of Internal Audit's current follow-up work.

C Archibald, Finance Manager, was present to answer members' questions and confirmed that all schools had been instructed to retain school excursion approval forms in the current and previous year in the retentions schedule.

HAVING DECLARED A FINANCIAL INTEREST IN APPENDIX G TO REPORT 08/163 - DEVELOPMENT MANAGEMENT AND PLANNING ACTION POINTS OF AUDIT REPORT 06/065 - COUNCILLOR LAW, IN TERMS OF STANDING ORDER 6, VACATED THE CHAIR AND WITHDREW FROM THE MEETING DURING CONSIDERATION OF THAT ITEM.

COUNCILLOR BAIRD TOOK THE CHAIR.

Jim Valentine, Depute Director (Environment) was present to answer members' questions on progress with the review of how planning applications from Elected Members and/or Council Officers were dealt with and provision of guidance to Community Councils. He also advised that it was anticipated that letters of objection to planning applications would be available on the Council's website in the near future.

FOLLOWING CONSIDERATION OF DEVELOPMENT MANAGEMENT AND PLANNING ACTION POINTS, COUNCILLOR LAW REJOINED THE MEETING AND RESUMED THE CHAIR.

In relation to the management of early retirement, G Stevenson, Executive Director (Corporate Services) stated that the Council had a policy on early retirement which included voluntary early retirement. A paper would be submitted to the EOT in April proposing a flexible retirement policy. The implications of the revised pensions guidance for 2009 for Council policies would require to be assessed.

Resolved:

- (i) The current position in respect of outstanding agreed actions arising from internal and external audit work be noted.
- (ii) It be noted that a presentation on the flexible retirement scheme would be made to a future meeting of the Strategic Policy and Resources Committee or the Scrutiny Committee.

5. EXTERNAL AUDIT REPORTS

(i) Corporate Asset Management

There was submitted a report by the External Auditor (08/164) reviewing the Council's asset management arrangements in relation to Property and ICT assets, highlighting areas of good practice and areas for action.

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C Wyllie and M Richardson, External Auditors, were present to speak to the report and to answer members' questions.

Resolved:

- (i) The content of the External Auditor's report be noted.
- (ii) The action plan, as set out in Report 08/164, be implemented.

(ii) Abridged Housing Benefit and Council Tax Benefit Management Letter

There was submitted a report by the External Auditor (08/165) setting out the main findings and overall conclusion following completion of their certification of the Council's Housing Benefit and Council Tax Subsidy Claim for the period ended 31 March 2007, and identifying a number of issues to be addressed.

C Wyllie and M Richardson, External Auditors, and P Lakie, Benefits and Revenues Manager, Housing and Community Care, were present to answer members' questions.

Resolved:

- (i) The content of the External Auditor's report be noted.
- (ii) The action plan, as set out in Report 08/165, be implemented.

P LAKIE LEFT THE MEETING AT THIS POINT.

(iii) 2006/07 SPI Reporting and 2007/08 Planning

There was submitted a report by the External Auditor (08/166), (1) reviewing the Council's arrangements for collecting, recording and publishing Statutory Performance Indicators (SPIs) as required by the legislation; (2) identifying sources of error in SPIs, and (3) making recommendations for 2007/2008 planning.

C Wyllie and M Richardson, External Auditors, were present to speak to the report and to answer members' questions.

Resolved:

- (i) The content of the External Auditor's report be noted.
- (ii) The action plan, as set out in Report 08/166, be implemented.

(iv) Risk Assessment, Annual Audit Plan and Fee Proposal for 2007/08

There was submitted a report by the External Auditor (08/167) setting out (1) the audit framework; (2) how the auditors' objectives would be met; (3) the key business and audit risks identified from the planning process; (4) actions and planned output; and (5) the fee proposal for 2007/2008.

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C Wyllie and M Richardson, External Auditors, were present to speak to the report and to answer members' questions.

Resolved:

- (i) The content of the External Auditor's report be noted.
- (ii) The 2007/08 audit fee of £308,240, comprising Audit Scotland's fixed charge of £105,800 and the external auditor's fee of £202,440 be noted.

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