

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 66(iv)) (Appendix II)
4 February 2009

AUDIT SUB-COMMITTEE

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 19 November 2008 at 2.00pm.

Present: Councillors A Gaunt, J Law, W Lumsden and B Vaughan.

In Attendance: G Stevenson, Executive Director (Corporate Services); J Symon, K Woolard, D Farquhar, K Dewar and E Crighton (all Corporate Services); M Cochlan and M Kay (both Chief Executive's Service); C Archibald (Education and Children's Services); G McFarlane and H Hope (both the Environment Service); H Turley (Housing and Community Care).

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

Apologies for Absence: Councillor K Baird and Mr J Howie.

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 27 August 2008 was submitted and approved as a correct record.

(a) Internal Audit Year-End Report for 2007-08 – Statement on the System of Internal Control

There was submitted Appendix B to Report 08/425 which had been deferred for consideration from the previous meeting of the Audit Sub-Committee with an update being indicated in italics.

In response to a question from Councillor Vaughan on how the effectiveness of the Council's Corporate Governance arrangements would be assessed, G Stevenson advised that delivery on all outcomes would be examined and a statement on governance would be submitted to the Audit Sub-Committee prior to approval of the Audited Accounts; he suggested that the Head of Legal Services attend a future meeting to explain in more detail how the Code of Corporate Governance would be approached. In relation to the apparent disparity between the statement that Corporate Governance arrangements would be strengthened by further developing long-term financial planning linked with policy led budgeting and asset management plans, and the minute of meeting of 27 August 2008, Item 3, when members had been advised that, as a consequence of the Single Outcome

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Agreement, there would be a shift from policy-led budgeting to outcome-led budgeting, G Stevenson explained that guidance was awaited on the latter and it was necessary therefore to continue the policy led budget process in line with the policy objectives of the Single Outcome Agreement.

Resolved:

- (i) The statement on the system of internal control as submitted be noted.
- (ii) The Head of Legal Services be invited to a future meeting to explain how the Code of Corporate Governance would be approached.

3. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (08/585) presenting a summary of Internal Audit's current follow-up work.

Members requested further information on the following:

(a) Chief Executive's – 2004/05 Financial Strategy

In response to a question from Councillor Law as to the position on delegation to Community Planning Partnerships, G Stevenson advised that the Community Planning Partnership did not have delegated authority at present nor was there a financial framework to expend monies as it was not a constituted body; to address this and to ensure that robust, transparent, clear procedures and controls were in place, a paper was being prepared on arrangements for governance and accountability. He noted however that the Housing and Health Committee had agreed that some funding be allocated to the Strategic Health Partnership for particular projects.

(b) Corporate Services - Systems Development Procedures (07/010)

With regard to prioritisation of ICT projects, E Crighton confirmed that this was now in place and undertook to provide the relevant documentation to Internal Audit.

(c) Corporate Services - Occupational Stress (07/024)

In relation to Action Point 7(3), E Crighton advised that, in addition to the Work Positive toolkit, a number of other programmes were also utilised within the Council, with statistics collated and monitored by the Health and Safety Executive. G Stevenson confirmed that the management response was a fit for purpose approach.

(d) Corporate Services – 2004/05 Financial Strategy

In response to a question from Councillor Law in relation to reporting mechanisms for the Corporate Workforce Plan, G Stevenson explained that steps had been taken to identify the Council's needs over the next

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five years which had highlighted issues, such as the age profile of the Council's staff (currently 25% of staff being over 50), and what action would be required to address these issues. Members who wished further information on the process should contact G Stevenson.

(e) Education and Children's Services - School Excursions (05/031)

C Archibald advised that whilst there had been a delay in updating guidance nationally due to the impact of the Parental Involvement Act, resulting in legal challenges to disclosure checks for all parents involved, a number of existing robust controls were in place.

Councillor Lumsden requested that she be advised of any foreign exchange visits to take place prior to April 2009.

(f) Housing and Community Care – Housing Revenue Account/Housing Rents (04/012)

In relation to implementation of the Housing Rent Review, H Turley explained the background to the current anomalies which the review aimed to address, ensuring that rent would be structured in a more transparent way. Councillor Vaughan expressed concern at the time taken to undertake this review and other recommendations from audits carried out within the Service. K Woolard advised that, as a result of restructuring, responsibilities had transferred from Corporate Services to Housing and Community Care and confirmed that he was content with the progress now being made on the review.

(g) Housing and Community Care - Direct Payments (06/032)

H Turley advised on the process for review of the Service Level Agreement with PKAVS. In response to a request from Councillor Lumsden for more detailed information, H Turley undertook to clarify the various action points in relation to PKAVS and provide the necessary information to Internal Audit. K Woolard confirmed that an update on progress would be submitted to the Audit Sub-Committee in February / March 2009.

(h) Housing and Community Care – Community Care (Financial Guardianship) (07/003)

In relation to Action Point 5, H Turley explained the process of publication of Care Commission Reports and confirmed that a memorandum of understanding would be in place by the end of the financial year.

Resolved:

- (i) The current position in respect of outstanding agreed actions arising from internal and external audit work be noted.

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- (ii) 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 (08/586) presenting a summary of the status of Internal Audit's work for 2008/2009 against the Annual Plan and detailing (1) finalised assignments; (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.

K Woolard, Chief Internal Auditor, spoke to the report and answered members' questions on the effect of staffing shortages on the audit plan. Councillor Law expressed concern that this may lead to a corresponding increase in work to be carried out by the External Auditor. A Borrows advised that Henderson Loggie had not yet completed the External Audit Plan and financial risk would be assessed. K Woolard advised that audits had been prioritised through risk assessment. G Stevenson and J Symon explained the constraints in resourcing these audits which were not unique to staff within the Audit Section and confirmed that alternative ways of using available resources were being considered.

Resolved:

An update on the impact of the staffing position on the audit plan be provided to the next meeting of the Sub-Committee.

(i) Chief Executive's Service

(a) 07/007(b) – Public Performance Reporting / Statutory Performance Indicators

There was submitted a report by the Chief Internal Auditor (08/587) setting out the results of an audit on the process for collecting information in relation to statutory performance indicators to ensure that the Council had complied with statutory requirements in respect of performance monitoring.

Resolved:

The findings, recommendations and action plan detailed in Report 08/587 be noted.

(ii) Corporate Services

(a) 08/037 – Data Protection

There was submitted a report by the Chief Internal Auditor (08/588) setting out the results of an audit on controls in place in relation to Data Protection Issues to ensure that measures currently adopted by Perth and Kinross to protect personal data from unauthorised access are adequate. In response to a question from Councillor Vaughan,

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E Crighton explained that relevant staff training was delivered by E-Learning.

Resolved:

The findings, recommendations and action plan detailed in Report 08/588 be noted.

(iii) Environment

(a) 08/007(a) – Public Performance Reporting / Statutory Performance Indicators

There was submitted a report by the Chief Internal Auditor (08/589) setting out the results of an audit on the process for collecting information in relation to statutory performance indicators within the Environment Service to ensure that the Council had complied with statutory requirements in respect of performance monitoring.

Resolved:

The findings, recommendations and action plan detailed in Report 08/587 be noted.

(b) 08/045 – Bus Service Operators Grant (BSOG) Claim

There was submitted a report by the Chief Internal Auditor (08/590) setting out the results of an audit on the controls in place to ensure that the bus service operators grant claim is compiled accurately and in a timely basis.

Resolved:

The findings, recommendations and action plan detailed in Report 08/587 be noted.

5. EXTERNAL AUDIT REPORT

(i) Audit Progress Report 2007/08

There was submitted a report by the External Auditor (08/596) providing an update of the 2007/08 Audit and listing outputs presented to the Council and Audit Scotland.

A Borrows, External Auditor, was present to speak to the report.

Resolved:

- (i) The External Auditors progress report on the 2007/08 Audit be noted.
- (ii) It be noted the External Auditor's Report to Members and the Controller of Audit would be submitted to the next meeting of the Sub-Committee following consideration by the full Council on 17 December 2008.

IT WAS AGREED THAT THE PUBLIC AND PRESS BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEMS IN ORDER TO AVOID THE DISCLOSURE OF INFORMATION WHICH WAS EXEMPT IN TERMS OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT, 1973

P1. INTERNAL AUDIT – FINAL REPORTS

(i) Corporate Service

(a) 08/020(b) – Exchequer Incomes Team

There was submitted a report by the Chief Internal Auditor (08/591) setting out the results of the Internal Audit Review of the internal controls, policies and procedures in place to manage the risks in relation to the accounting, collection, financial recording and banking of cash and cheque receipts within the Exchequer Incomes Team in Corporate Services.

Resolved:

The findings, recommendations and action plan detailed in Report 08/591 be noted.

(b) 08/020(d) – Anti-Money Laundering

There was submitted a report by the Chief Internal Auditor (08/592) setting out the results of the Internal Audit Review of the controls in place to ensure that adequate policies, procedures and training routines are in place to manage money laundering risks effectively.

Resolved:

The findings, recommendations and action plan detailed in Report 08/592 be noted.

(c) 08/042 – Service Recognition Awards

There was submitted a report by the Chief Internal Auditor (08/593) setting out the results of the Internal Audit Review of controls in place for delivery of Service Recognition Awards to recipients who are unable to attend the Awards Ceremony.

Resolved:

The findings, recommendations and action plan detailed in Report 08/593 be noted.

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(ii) Housing and Community Care

(a) 08/020(a) – Cash, Banking and Anti-Money Laundering (Main Cash Office)

There was submitted a report by the Chief Internal Auditor (08/594) setting out the results of the Internal Audit Review to ensure that adequate internal controls and policies/procedures are in place to manage the risks in relation to the accounting, collection, financial recording and banking of cash/cheque receipts within the main cash office, Housing and Community Care.

Resolved:

The findings, recommendations and action plan detailed in Report 08/593 be noted.

(iii) Environment

(a) 08/020(c) – Cash Banking and Anti-Money Laundering

There was submitted a report by the Chief Internal Auditor (08/595) setting out the results of the Internal Audit Review carried out to ensure that adequate internal controls and policies/procedures are in place to manage the risks in relation to the accounting, collection, financial recording and banking of cash/cheque receipts within Planning Services.

Resolved:

The findings, recommendations and action plan detailed in Report 08/593 be noted.

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