

## **AUDIT SUB-COMMITTEE**

Minute of Meeting of the Audit Sub-Committee held in the Committee Room, 2 High Street, Perth on Wednesday 11 March 2009 at 2.00pm.

Present: Councillors J Law, K Baird, A Gaunt, D Scott (substituting for Councillor W Lumsden) and B Vaughan; and Mr J Howie.

In Attendance: G Taylor, M Cochlan and M Kay (all Chief Executive's Service); G Stevenson, Executive Director (Corporate Services) (from Item 3); J Symon (until Item 3), K Woolard, L Greig, D Farquhar, K Colville and E Crighton (all Corporate Services); C Archibald (Education and Children's Services); J Valentine and J Walker (both Environment Services); H Turley, L Cameron and S Strathearn (all Housing and Community Care).

Also Attending: C Wyllie and G Oudney (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 21 January 2009 was submitted and approved as a correct record.

#### **Note:-**

In response to a request for further information on paragraph 3 of the Minute in relation to the Code of Corporate Governance, G Stevenson, on his arrival at the meeting, further clarified the position regarding financial regulations, the need to review audit processes of all partners, the importance of democratic scrutiny, and how accountability would apply to non-statutory partners. He also advised that all community planning partners would sign up to a single governance framework.

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

There was submitted a report by the Chief Internal Auditor (09/148) presenting a summary of Internal Audit's current follow-up work.

Officers from the relevant services were present to answer Members' questions on the progress on outstanding actions.

Further information was provided on the following:

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**(a) 07/015 – Council Tax/Non-Domestic Rates (Action Point 6)**

K Woolard advised that the Information Compliance Manager was currently developing a policy on the disposal of confidential documentation for the Council's Policy and Governance Group.

**(b) 07/017 – Mental Health (Action Point 3)**

In response to a query from Councillor Vaughan, L Cameron clarified the position in respect of production of printed documents and confirmed no delays were anticipated.

**(c) 06/002(b) – Fleet Management**

J Walker further reported on the position on the development of policies and, on a suggestion by Councillor Law, undertook to contact the DVLA to ascertain if they could assist in the checking of documentation.

**(d) 06/065 – Development Management/Planning Applications (Action Point 5)**

J McCrone explained in more detail the impact of the new Planning Act on the provision of guidance.

**(e) Audit Scotland Asset Management Planning 2003/04**

J Valentine explained the complexity of the Asset Management Process in the development of a comprehensive corporate policy which necessitated longer timescales. G Stevenson pointed to the extent of the property held by the Council, in particular the large number of open spaces and other sites in Council ownership. J Valentine confirmed that the development of a Corporate Property Asset Management Plan would be the first step with linkages subsequently being made to the National Standards.

J VALENTINE, J WALKER AND E CRIGHTON LEFT THE MEETING AT THIS POINT.

**Resolved:**

- (i) The current position in respect of outstanding agreed actions arising from internal and external audit work be noted.
- (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 (09/143) presenting a summary of the status of Internal Audit's work for 2008/09 against the annual plan and detailing (1) finalised assignments; (2) those assignments

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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 further reported that following the appointment of agency staff, a number of audits were in progress and it was anticipated these would be completed in time to inform the year-end audit.

**Resolved:**

The Chief Internal Auditor's report be accepted.

**(i) Housing and Community Care**

**(a) 07/030 – Housing Standard Delivery Plan**

There was submitted a report by the Chief Internal Auditor (09/144) setting out the results of the internal audit review of controls in place to ensure that governance, financial, risk management and procurement arrangements were in place to support the achievement of the Housing Standard Delivery Plan and that the information produced was adequate and informed the management processes for ensuring the achievement of the Housing Standard Delivery Plan.

H Turley, Housing and Community Care, was present to answer members' questions on the findings of the audit and on the significant progress being made.

K Woolard confirmed that rapid change was taking place within the Housing and Community Care Service in the development of management processes.

**Resolved:**

The findings, recommendations and action plan detailed in Report 09/144 be noted.

H TURLEY LEFT THE MEETING AT THIS POINT.

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

**(a) 08/018 – Councillors' Expenses**

There was submitted a report by the Chief Internal Auditor (09/145) setting out the results of the internal audit review of controls in place to ensure that the Council had adequate procedures and effective controls for use by officers and members for the treatment of members' expenses.

K Woolard explained that the audit focussed on examination of management controls in place.

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G Taylor, Head of Democratic Services, was present to answer members' questions on the findings of the audit and advised on the procedure for use of taxis, the requirement for appropriate receipts for all expenditure and confirmed that comprehensive guidance would be circulated shortly.

**Resolved:**

The findings, recommendations and action plan detailed in Report 09/145 be noted.

M COCHLAN LEFT THE MEETING AT THIS POINT.

**(b) 08/021 – Councillors' Payroll**

There was submitted a report by the Chief Internal Auditor (09/149) setting out the results of the internal audit review of controls in place to ensure that payments to Councillors were in accordance with approved rates and were appropriate to their responsibilities held.

**Resolved:**

The findings, recommendations and action plan detailed in Report 09/149 be noted.

**5. EXTERNAL AUDIT REPORT**

**(i) Audit Progress Report 2008/2009**

There was submitted a report by the External Auditor (09/146) setting out the progress against their operational plan for 2008/2009. C Wyllie further reported on the guidance from Audit Scotland on required work, which included an impact assessment of the race equality duty.

G Stevenson confirmed that the Council had been complying in this regard since 2005 with action plans developed through the Equalities and Diversity Member/Officer Working Group, which put fairness at the heart of the Council's approach.

**Resolved:**

The External Auditor's progress report be noted.

**(ii) Risk Assessment, Annual Audit Plan and Fee Proposal for 2008/2009**

There was submitted a report by the External Auditor (09/150) setting out (1) the audit framework; (2) how the auditor's 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 2008/2009.

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C Wylie, External Auditor, was present to speak to the report and to answer members' questions thereon.

In response to a question from Councillor Law on the Best Value Improvement Plan, G Stevenson advised this would be submitted to the next meeting of the Council, and it was noted this would inform the External Auditor's work, together with self-assessment reports. G Taylor advised that the report on those charged with governance on the audit of Perth and Kinross Council had been submitted to Council early in 2008 and Councillor Law requested that the Executive Summary of this report be circulated to Audit Sub-Committee members. Councillor Vaughan expressed her concern that elected members had not had the opportunity to see the Business Management Improvement Plans for the coming year and was advised by G Taylor that a presentation on each Service's Plan would be made to elected members early April. Councillor Vaughan emphasised concern that elected members had an important role in setting priorities and targets and G Taylor advised that the Single Outcome Agreement which would be submitted to Council on 6 May 2009 drove the priorities and targets within the Business Management Improvement Plans which also would be submitted on 6 May 2009, preceded by briefing sessions for elected members. Councillor Baird requested early notification of the date thereof.

In relation to Community Empowerment activity, G Taylor reported that the Head of Cultural and Community Services was taking this forward and that the review of community councils was due to be published that week.

In relation to Statutory Performance Indicators, C Wylie noted the substantial change in the 2009/2010 direction on the collection of Statutory Performance Indicators which permitted Councils to develop their own indicators in Business Management and Improvement Plans, and which would be reviewed within the External Audit Plan.

**Resolved:**

- (i) The contents of the External Auditor's report be noted.
- (ii) The 2008/2009 audit fee of £316,080, comprising Audit Scotland's fixed charge of £113,600 and the External Auditor's fee of £202,480 be noted.

**6. THE INTERNAL AUDIT PLAN 2009/2010**

There was submitted a report by the Chief Internal Auditor (09/147) outlining the proposed Internal Audit Plan for 2009/2010 with audits taking place from June 2009 to May 2010 in order to contribute to the development of the Council's Annual Governance Statement for 2009/2010.

In response to a question from Councillor Law on the outcome of Single Status Appeals, K Woolard advised that the Appeals process was underway and it

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may be some time before the final outcome was known. G Stevenson confirmed that there was a procedure in place to ensure that Single Status was achieving equality of pay and the delivery of outcomes.

**Resolved:**

The proposed Internal Audit Plan for 2009/2010 as detailed in Report 09/147 be approved.

**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.**

**P1. INTERNAL AUDIT FOLLOW-UP WORK**

There was submitted Appendices G, H and I of Report 09/148 by the Chief Internal Auditor presenting further information on the Internal Audit's current follow-up work in relation to Anti-Money Laundering and Information Security. In relation to the operating system within Housing and Community Care, S Strathearn confirmed that the systems upgrade provided robust security.

**Resolved:**

- (i) The current position in respect of outstanding agreed actions be noted.
- (ii) The agreed action plans be progressed, taking into account the recorded audit opinion.

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