

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Committee Room, Fourth Floor, Council Building, 2 High Street, Perth on Wednesday 27 March 2013 at 2.00pm.

Present: Councillors B Vaughan, A Stewart, H Anderson, D Cuthbert, J Giacomazzi, W Wilson and B Band (substituting for A Younger).

In Attendance: J Walker, Depute Director (Housing and Community Care); J Clark, D Farquhar, D Henderson, M Morrison, G Taylor, and P Frazer (all Chief Executive's Service); A Clegg, S Mackenzie and B Reekie (all Environment Service); and G Boland and S McIntosh (for Art. 193 only) (both Education and Children's Services)

Also Attending: P Tate, Audit Scotland.

Apology for Absence: Councillor A Younger.

Councillor Vaughan, Convener, Presiding.

185. DECLARATIONS OF INTEREST

There were no Declarations of Interest made in terms of the Councillors' Code of Conduct.

186. MINUTE OF PREVIOUS MEETING

The minute of meeting of the Audit Committee of 16 January 2013 was submitted and approved as a correct record subject to the following amendment: Item 28(c), paragraph four refers; replace 'N O'Connor' with 'J Symon'.

187. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (13/140) presenting a current summary of Internal Audit's follow up work and detailing: (1) the number of actions arising from internal and external audit reports; (2) the total number of agreed actions which Internal Audit would be following up, even where the originally agreed completion dates had not been reached; (3) the number of agreed actions reported as incomplete as at their original agreed completion date, a number of which had been allocated dates in the future for completion and progress with progress to be reported to a future meeting; (4) the number of agreed actions which have yet to be followed up as their completion date had not been reached; and (5) detailed follow-up information on a Service-by-Service basis, in respect of actions agreed for completion in the period of November and December 2012.

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

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(1) 09/012 – ICT Purchasing – Action Point 13

G Taylor reported that revisions to the Scheme of Administration, addressing the necessary updating requirements, would be submitted to Council on 1 May 2013.

(2) 09/013 – Applications Software – Development and Maintenance – Action Point 7

Councillor Wilson asked if making personnel aware of information security matters was sufficient to advance their understanding of the relevant issues.

D Henderson reported that awareness-raising was part of a larger risk assessment reporting process involving the information owner and asset managers. Risk assessments would be carried out during April and May 2013 to ensure that processes were in place to account for internal systems and information assets.

(3) Audit Scotland's Annual Report – Action Point 4.1

P Tate, Audit Scotland, reported that the legal aspects relating to the Minute of Agreement with Tayside Contracts needed to be resolved by June 2013 in order to satisfy accounting requirements. The three constituent councils, Dundee City, Angus and Perth and Kinross, were in discussion to reach consensus on the way forward.

(5) Audit Scotland's Annual Report – Action Point 5

In response to a question from Councillor Cuthbert, Councillor Vaughan confirmed that, should the completion date for the sale of Kinross Town Hall not be achieved, the matter would be referred back to the Committee.

(6) 11/16 - Waste Management Plan – Action Point 3

B Reekie reported that the Strategic Waste Member Officer Working Group had not been re-established following the elections in 2012. An alternative reporting mechanism for the Waste Management Plan was currently being investigated and an update would be provided to the next meeting of Committee on 19 June 2013.

(7) Appendix H – Outstanding Audit Actions

Councillor Wilson asked if there was a mechanism in place for Committee to decide if actions were to be updated or superseded.

J Clark confirmed that a tracking programme was being developed to cover these issues and enable the audit process to identify and concentrate on outstanding actions. It would then be possible to

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evidence, through the reporting process, how services were performing in relation to the audit process.

Resolved:

- (i) The current position in respect of the 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.

188. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (13/141) presenting a summary of Internal Audit's work against the 2012/13 annual plan.

Councillor Wilson referred to the high number of audits scheduled for Committee in June 2013, as outlined in Appendix B of Report 13/141, and asked for reassurance that they would be completed on time. J Clark confirmed that the necessary resources were in place to achieve the deadline.

Resolved:

The progress made on Internal Audit's work against the plan for 2012/13 be noted.

The Committee considered the following final reports:-

(i) Education and Children's Services

(a) 12-15 – School Funds

There was submitted a report by the Chief Internal Auditor (13/142) on the internal audit review carried out to ensure: (1) that there were adequate control and oversight arrangements for school fund accounts; and (2) the adequacy of the control requirements specified in the Education and Children's Services Financial Guidelines and that these Guidelines are being adhered to.

Resolved:

Internal Audit's findings, as detailed in Report 13/142, be noted.

(b) 12-21(a) – Inchview Primary School

There was submitted a report by the Chief Internal Auditor (13/143) setting out the results of the internal audit review of controls in place to ensure that primary schools are managed in accordance with the Financial Procedures laid down by Education and Children's Services.

Resolved:

Internal Audit's findings, as detailed in Report 13/143, be noted.

(c) 12-21(b) – Crieff Primary School

There was submitted a report by the Chief Internal Auditor (13/144) setting out the results of the internal audit review of controls in place to ensure that primary schools are managed in accordance with the Financial Procedures laid down by Education and Children's Services.

Resolved:

Internal Audit's findings, as detailed in Report 13/144, be noted.

(ii) The Environment Service

(a) 12-24 – Purchasing Controls Assignment

There was submitted a report by the Chief Internal Auditor (13/145) on the internal audit review carried out, in response to a complaint, to ensure that procurement was carried out in accordance with the Council's governance arrangements.

Committee noted that a system was now in place to ensure that all PECOS users receive relevant training.

Resolved:

Internal Audit's findings, as detailed in Report 13/145, be noted.

B REEKIE, A CLEGG AND D HENDERSON LEFT THE MEETING AT THIS POINT.

189. AUDIT COMMITTEE ROLE AND REMIT

There was submitted a report by the Chief Internal Auditor (13/146) presenting a Role and Remit document for the Audit Committee for consultation.

Councillor Vaughan referred to the proposal that it was desirable that at least one member of the Audit Committee should have a financial background.

It was noted that the Scrutiny Committee could call expert witnesses to give evidence, answer questions or provide written reports, and it was suggested that the Audit Committee should also have that flexibility to seek additional expertise in relation to the External Auditor's annual report and accounts.

The Committee noted that it should be possible to identify in advance of a meeting reports where an expert input was required.

Following a suggestion by Councillor Wilson that the document should be reviewed every two years rather than every three years as proposed.

Resolved:

The Audit Committee Role and Remit document be submitted to Council for approval, subject to the amendment that the document be reviewed at least every two years. (Paragraph 8.1 refers)

190. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

There was submitted a report for information by the Chief Internal Auditor (13/147) presenting the revised Public Sector Internal Audit Standards.

Resolved:

The Public Sector Internal Audit Standards (PSIAS) be noted and approved as the relevant professional standard for the Council's Internal Audit Service.

191. THE INTERNAL AUDIT PLAN 2013/14

There was submitted a report by the Chief Internal Auditor (13/148) presenting the proposed Internal Audit Plan for the financial year 2013/14.

J Clark reported that the Plan would be kept under review, taking into account internal and external factors, indentifying any gaps and, updated as necessary, with any revisions being submitted to Committee for review as necessary. In response to questions from Councillors Wilson and Cuthbert in respect of the resources required to deliver the Plan, J Clark provided more details on how the figures had been calculated and any contingencies.

Resolved:

The proposed internal Audit Plan for 2013/14 be approved.

192. EXTERNAL AUDIT REPORTS

Perth and Kinross Council – Annual Audit Plan 2012/13

There was submitted a report by the Chief Internal Auditor (13/149) accompanying the Council's Annual Audit Plan 2012/13 as presented by the External Auditors, Audit Scotland.

P Tate, Audit Scotland, provided an overview of the Annual Audit Plan highlighting audit issues and risks arising, including from welfare reform and police and fire reform.

Resolved:

The proposed External Auditor's Annual Audit Plan 2012/13 for the Council be noted.

S MACKENZIE LEFT THE MEETING AT THIS POINT.

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

S MCINTOSH ENTERED THE MEETING AT THIS POINT.

193. INTERNAL AUDIT FOLLOW-UP

(i) Appendix F

There was submitted and noted Appendix F to Report 13/140 by the Chief Internal Auditor presenting further information on Internal Audit's current follow-up work on Audit 09-018 (2) Action Point 14 in relation to Education and Children's Services.

G BOLAND AND S MCINTOSH LEFT THE MEETING AT THIS POINT.

(ii) Appendix G

There was submitted and noted Appendix F to Report 13/140 by the Chief Internal Auditor presenting further information on Internal Audit's current follow-up work on Audit 11-11 Action Points 1 and 10 in relation to Housing and Community Care.

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