

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
27 JUNE 2018

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Council Chamber, 2 High Street, Perth on Wednesday 27 June 2018 at 10.00am.

Present: Councillors E Drysdale, B Band, A Coates, S Donaldson, D Illingworth and X McDade.

In Attendance: J Clark, C Flynn, C Irons, S Mackenzie, M Morrison, A O'Brien and S Walker (all Corporate and Democratic Services); J Cockburn (Education and Children's Services); J Dixon, F Low, J McColl and A Taylor (Housing and Environment)

Also in Attendance: C Windeatt, KPMG

Apologies: Councillor W Wilson

Councillor Drysdale, Convener, Presiding.

. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting. It was noted that Councillor W Wilson had replaced Councillor K Baird on the Committee.

. DECLARATIONS OF INTEREST

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

. MINUTE

The minute of meeting of the Audit Committee of 23 May 2018 (Arts.296 - 303) was submitted and approved as a correct record and authorised for signature.

It was noted that there had been no recording of the Committee on 23 May due to a technical difficulty but today's meeting was being recorded.

. INTERNAL AUDIT FOLLOW UP

There was submitted a report by the Chief Internal Auditor (18/218) presenting a current summary of Internal Audit's follow up work.

In response to a question from Councillor X McDade, J Clark advised she would circulate information to the Committee on the three outstanding high level actions: two for Education and Children's Services and one for Housing and Environment, referred to in table 1.

Resolved:

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

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
27 JUNE 2018

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

INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (18/219) presenting a summary of Internal Audit's work against the 2017/18 Annual Plan.

The Chief Internal Auditor of South Ayrshire Council who undertook an external validation of the self-assessment of Internal Audit's compliance with the Public Sector Internal Audit Standards will attend a future Committee.

Resolved:

- (i) The completion of work against the audit plan for 2017/18, be noted.
- (ii) The progress of work against the 2018/19 Audit Plan, be noted.

The Committee considered the following final reports:-

(i) Corporate and Democratic Services

(a) Update on the Implementation of Agreed Actions Arising from the internal report on Financial Assessment and Charging

There was submitted a report by the Chief Internal Auditor (18/220) (1) presenting a summary of Corporate and Democratic Services response to the outcomes of Internal Audit's report on Financial Assessment and Charging and (2) providing an update on the implementation of the agreed action plan.

J Clark provided a summary of the actions taken since a complaint was received in 2015 and referred to a Charging Governance Board which had been established to provide scrutiny and assurance to enable the Council to achieve its outcomes.

A Taylor and F Low advised members of progress made and responded to members' queries.

Resolved:

- (i) Progress made in implementing and sustaining the actions agreed in the 16-07 Financial Assessment and Charging report, be noted.
- (ii) It be noted that the Service appears to be committed to delivering the changes required to improve service provision and internal control.
- (iii) A further update report be submitted to this Committee on the sustainability of agreed actions following the completion of the work agreed within the Internal Audit Plan for 2018/19.

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
27 JUNE 2018

(ii) **Housing and Environment**

(a) **17-27 – Housing Repairs and Improvement Service - Financial Control**

There was submitted a report by the Chief Internal Auditor (18/222) on an audit to confirm that (1) appropriate regulations, policies and procedures were in place for the requisition, purchase, receipt and payment of goods and services and (2) adequate system controls were in place to ensure the integrity of the system.

J Clark and J McColl provided background information to the audit and the Housing Repairs and Improvement Service.

Councillor S Donaldson expressed concern that of the twenty-one invoices tested, nine were incorrectly authorised and he asked if this area would be examined by KPMG. S Mackenzie advised that as this matter was an internal control it would be addressed by officers.

Councillor X McDade requested that the levels of risk referred to in reports be classified for better understanding by members and the public.

Resolved:

Internal Audit's findings, as detailed in Report 18/222, be noted.

. **INTERNAL AUDIT STRATEGY AND PLAN, 2018/19**

There was submitted a report by the Chief Internal Auditor (18/221) presenting the strategy for the delivery of Internal Audit and the proposed Internal Audit Plan for July 2018 to March 2019.

J Clark advised that the Council was required by the Public Sector Internal Audit Standards to prepare a risk-based Internal Audit Plan taking account of the Council's objectives, risk and performance management arrangements. The Plan compiled was based on the assumption that a new member of staff would be appointed to the Internal Audit Team in September 2018.

Councillor X McDade asked if the School Estate Strategy audit was to be undertaken in quarter 2 to coincide with a full School Estate review. J Clark advised this audit was in quarter 2 as it had a high priority rating but would discuss the timing with the Service and provide an update to a future committee.

Councillor X McDade asked if the LEADER audit was to be undertaken in quarter 3 to coincide with the end of the funding, however, J Clark advised that it was not as an additional year's funding was to be provided but that an annual audit was required.

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
27 JUNE 2018

Councillor S Donaldson referred to only twenty days being allowed for the Local Action Partnership audit and whether that allowed sufficient time to review all six Partnerships. J Clark advised that the detail and scope of the audit still had to be agreed with the service and all six Partnerships may not be included.

Resolved:

The Internal Audit Plan for the period July 2018 to March 2019, be approved.

UNAUDITED ANNUAL ACCOUNTS 2017/18

There was submitted a report by the Head of Finance (18/223) on the Council's Unaudited Annual Accounts for the financial year 2017/18 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

S Mackenzie advised members that the annual accounts had been prepared in accordance with the regulations. The requirement to carry out an annual review of the effectiveness of a local authority's system of internal control by elected members had been met with the approval of the Annual Governance Statement by the Scrutiny Committee on 13 June 2018. The unaudited annual accounts were being submitted to this Audit Committee prior to their submission to the external auditor, KPMG, and being made available for public inspection. The audited accounts would be submitted to the Audit Committee on 26 September prior to consideration by the Council on 3 October 2018.

Councillor S Donaldson thanked S Mackenzie and his team for compiling the accounts and asked why there was a decline in the pension liability. S Mackenzie advised that the figures had been altered following an assessment by an independent firm of actuaries giving a reduction in life expectancy. Councillor S Donaldson referred to the impact on other aspects of the Council of a reduction in life expectancy but S Mackenzie advised it would be unlikely to have much impact as highlighted in the sensitivity analysis referred to in Report 18/223.

Councillor S Donaldson queried the implications on Council funding with the improvement in markets and the rise in interest rates. S Mackenzie advised that there would be no immediate uplift to the fund but reminded members that there was a different pension scheme for teachers which were more than half of the overall staff numbers.

Councillor E Drysdale highlighted the increased provision for doubtful debt for Council Tax payments from 2016/17 to 2017/18 and questioned why it was not the same for rent payments.

S Walker advised that there was a high collection level for Council Tax but an increase in gross charges due to bandings and there were still amounts to be collected and it was anticipated that universal credit may have an impact on rent payments and he would provide the relevant figures to the Convener.

Councillor E Drysdale referred to the reduced staffing levels across the Council and the cost of non-compulsory departures of members of staff over the last

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
27 JUNE 2018

2 years and questioned the overall financial impact and the challenges of these departures.

S Mackenzie acknowledged Councillors had concerns over the capacity of staff, however, provision had been made for Voluntary Severance Schemes in this Authority as well as other Authorities as staff costs remained the most significant element of the Council budget.

S Mackenzie confirmed the Council was in a relatively strong financial position but the budget was not without challenges, particularly in the revenue budget but budget flexibility allowed continued investment in infrastructure. Councillor E Drysdale thanked S Mackenzie and his team.

Resolved:

- (i) The Head of Finance be authorised to sign the Unaudited Annual Accounts.
- (ii) That the unsigned Audited Annual Accounts be submitted to this Committee on 26 September 2018 for approval, be noted.

~~~~~