

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 12 September 2012 at 2.00pm.

Present: Councillors D Cuthbert, A Stewart, B Vaughan and A Younger.

In Attendance: G Taylor, J Symon, M Kay, J Clark, D Farquhar and D Henderson (all Chief Executive's Service); K Wilson (up to and including Item 6(i)), G Boland, and K Kirkpatrick (all Education and Children's Services); J Walker (Housing and Community Care), S Mackenzie and S D'All (both up to and including item 7) (both The Environment Service).

Also Attending: P Tate, Audit Scotland

Apology for Absence: Councillor A MacLellan

Councillor Vaughan, 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 June 2012 was submitted and approved as a correct record, subject to Item 6(i)(c) 11/09 Corporate Information Security Action Point 10 being amended to read Action Point 10(2).

3. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (12/380) 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 with progress to be reported to a future meeting; and (4) detailed follow-up information on a Service by Service basis, in respect of outstanding actions agreed for completion in the period of April to June 2012.

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

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 88(ii)) (Appendix I)
13 FEBRUARY 2013

(1) 10/04 Risk Management – Action Point 2

In response to Councillor A Stewart's enquiry as to the number of job profiles outstanding, J Clark agreed to provide this information to members following the meeting.

(2) 11-09 Information Security— Action Point 10(1)

J Clark reported that the deadline for completion of this action had been extended to September 2012.

Councillor Younger enquired if the arrangements for the recruitment process took account of the Borders Agency new policy. J Clark confirmed this and it was agreed that Human Resources would be asked to provide Councillor Younger with further information in this regard.

(3) 10/08 School Lets – Action Point 6

It was noted that the School Lets Member/Officer Working Group had not been re-established following the Local Government Elections and that its original remit may now be complete.

(4) 08/013 Equalities – Access to Services – Action Point 1

It was noted that the Equality and Diversity Member/Officer Working Group did not have decision making powers, but had endorsed the Council's approach to ensure compliance with the Specific Duties published by the Scottish Government in April 2012, with the final decision on a revised Equalities Policy to be taken at a future meeting of the Strategic Policy and Resources Committee.

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.

4. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (12/381) presenting a summary of Internal Audit's work against the 2011/12 and 2012/13 annual plans.

Councillor Vaughan referred to the status of Internal Audit 09/023 which had not changed for two years and enquired as to what progress had been made. J Clark advised that a meeting had been held with the Service; that the report would be submitted to the next meeting of the Sub-Committee; that every effort had been made to clear the backlog and that submission of this report would complete audits from previous years.

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 88(ii)) (Appendix I)
13 FEBRUARY 2013

Councillor Vaughan expressed concern that the schedule of planned audits for 2012/2013 contained in Appendix B to report 12/381 may not be achievable. J Clark advised that recent investigation work had exceeded the allowance made in the current year's plan, but was now near completion, and she would review the schedule and report back thereon to the next meeting. Councillor Cuthbert suggested that it would be helpful if the assignments were prioritised.

Resolved:

- (i) The progress made on Internal Audit's work against the plans for 2011/12 and 2012/13 be noted.
- (ii) The Chief Internal Auditor be instructed to include in future update reports an assessment of priority against assignments from the Internal Audit Plan.

The Sub-Committee considered the following final reports:-

(i) Chief Executive's Service

(a) 11/06 - Members' Interests

There was submitted a report by the Chief Internal Auditor (12/382) setting out the findings of the internal audit review carried out to ensure that the Council has adequate procedures and effective controls in place to ensure that elected members register and declare relevant interests on a timely basis and that these are publicly available.

G Taylor, Head of Democratic Services, noted that no actions had been required and reported that arrangements were being made with the Standards Commission for Scotland to hold a session with elected members on current guidance.

Resolved:

Internal Audit's findings, as detailed in Report 12/382, be noted.

(ii) Housing and Community Care

(a) 11/013 – Council Tax

There was submitted a report by the Chief Internal Auditor (12/383) setting out the findings of the review by Internal Audit to ensure that there is an adequate control framework in place governing the operation of the council tax billing and collection system; that all taxable properties are identified and accurately recorded; that all persons liable for Council Tax have been identified and all discounts, benefits, exemptions and allowances have been correctly recorded to comply with statutory requirements.; that income is recorded correctly within the individual's accounts; that all arrears are identified promptly and pursued; and that all write-offs are valid and authorised.

J Walker, Depute Director (Housing and Community Care), noted that Perth and Kinross Council had one of the highest collection rates of Council Tax in Scotland and the audit had highlighted the strength of

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 88(ii)) (Appendix I)
13 FEBRUARY 2013

internal controls in place; he advised that the missing records evidencing the checks which had been carried out, referred to in Action Point 1, had been disposed of as a result of human error and records management practices had now been strengthened.

Resolved:

Internal Audit's findings, as detailed in Report 12/383, be noted.

5. INTERNAL AUDIT TERMS OF REFERENCE

There was submitted a report by the Chief Internal Auditor (12/384) presenting a revised and updated Terms of Reference document for Internal Audit.

Councillor Stewart enquired as to the impact of work for external bodies referred to in the report and J Clark explained this was in relation to checks on grant claims, and noted that new arrangements such as housing and social care integration would also be taken into account.

Resolved:

The revised and updated Terms of Reference document for Internal Audit, as appended to Report 12/384, be approved.

6. EXTERNAL AUDIT REPORTS

(i) Perth and Kinross Council – Computer Services Review

There was submitted a report by the External Auditor, Audit Scotland (12/385) on a review of the management of the Council's computer services in relation to installation management, service delivery, business continuity, data networking, asset protection and IT security by IT Services within Education and Children's Services, including the implications of the McClelland Review of ICT Infrastructure in the Public Sector in Scotland on the Council's ICT Strategy.

P Tate, Audit Scotland, advised that a high level review of IT systems had been carried out and explained that Audit Scotland's approach was to highlight risks and it was for the Council to judge whether to take mitigating action or to accept the risk.

Councillor Cuthbert expressed concern over the reference to back up supply for Carpenter House and K Wilson, IST Business Manager, advised on action being taken to address an alternative power source during refurbishment works and arrangements currently in place to provide back up off-site.

In response to a question from Councillor Younger, K Wilson explained that, when required, there had been no difficulty in recovering data and, in response to concern from Councillor Cuthbert, agreed to review if whether additional measures were required to protect against the possibility of a major incident affecting both sites.

PERTH AND KINROSS COUNCIL
SCRUTINY COMMITTEE (Art. 88(ii)) (Appendix I)
13 FEBRUARY 2013

Councillor A Stewart enquired as to the progress on Corporate Wireless Network and a programme for roll out and K Wilson provided an update thereon.

Resolved:

The External Auditor's findings, as detailed in Report 12/385, be noted.

K WILSON LEFT THE MEETING AT THIS POINT.

(ii) Perth and Kinross Council – Maintaining Scotland's Roads: Follow-Up

There was submitted a report by the External Auditor, Audit Scotland (12/386) on the follow up of the findings of their national study of maintenance of the road network and their targeted follow up in 2011/12 carried out to assess the progress made by Scottish Councils in improving their management of road maintenance, focussing on road asset management planning, performance management and maximising value for money.

Councillor A Stewart noted that the report was useful in highlighting the massive challenge faced in addressing the position both nationally and in Perth and Kinross, particularly the resources required and that, whilst Perth and Kinross Council was in a better position than many authorities, the back log was daunting and prioritisation was required. S D'All referred to the programme of safety inspections and advised that the majority of available resources were applied to reactive safety repairs rather than investing in planned maintenance. He explained (1) the aims of the road maintenance strategy, and (2) the categories of repairs and response times which were in place to meet the Council's obligations in respect of the relevant legislation. In response to a question from Councillor Cuthbert, he confirmed that there had been an increase in claims submitted and J Walker advised that the Council's liability had been minimised because of the very rigorous inspection regime in place. In response to questions from Councillors Cuthbert and Younger on making safe works carried out by third parties where these were below standard, S D'All explained that the Council met the cost of safety works but that third parties were pursued for follow up works.

Councillor Vaughan suggested that the report be considered for inclusion on the agenda for a future meeting of the Enterprise and Infrastructure Committee.

Resolved:

- (i) External Audit's findings, as detailed in Report 12/386, be noted.
- (ii) Report 12/386 be considered for inclusion on the agenda for a future meeting of the Enterprise and Infrastructure Committee.

7. REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE AUDIT OF PERTH AND KINROSS COUNCIL 2011/12

It was noted that, as part of the process of signing off the Council's accounts for 2011/12, the External Auditor, Audit Scotland, is required to report certain matters arising from the audit of the financial statements to those charged with governance and that this required to be agreed prior to the signing of the accounts.

Resolved:

The Chief Executive and the Head of Finance, in consultation with the Leader of the Council be authorised to agree the contents of the External Auditor's report prior to the signing of the accounts by 30 September 2012.

S MACKENZIE AND S D'ALL 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

P1. INTERNAL AUDIT UPDATE

The Sub-Committee considered the following final report:-

(i) Chief Executive's Service

(a) 11/07 - Licensing

There was submitted a report by the Chief Internal Auditor (12/387) setting out the findings of the review by Internal Audit to ensure licence fee income is comprehensively and accurately collected, retained securely and fully accounted for.

Councillor Vaughan enquired if the issue raised in Action Point 4 was likely to occur elsewhere in the Council and what action would be taken to ensure the necessary information on insurance cover was disseminated as appropriate, and J Symon, Head of Finance, confirmed that this instance was an anomaly, and that he would ensure that adequate insurance cover was in place.

Councillor Stewart referred to the time taken for processing a returned cheque and questioned the level of use over alternative methods of payment and the feasibility of enabling automated systems of payment. Due to the diverse circumstances relating to the various licensing applications, it was considered it should be left to the Service to identify the most appropriate method of addressing the issue bearing in mind time and cost.

Resolved:

Internal Audit's findings, as detailed in Report 12/387, be noted.

P2. EXTERNAL AUDIT REPORTS

(i) Perth and Kinross Council 2011/12 - Review of Main Financial Systems

There was submitted a report by the External Auditor, Audit Scotland, (12/388) setting out the findings of the review of the Council main financial systems to gain assurance that the Council has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests; has systems of internal control which provide an adequate means of preventing or detecting material mis-statement, error, fraud or corruption; and complies with established policies, procedures, laws and regulations.

In response to a question from Councillor Stewart in relation to Action Point 8.1, J Walker explained the process relative to Care Home payments.

Resolved:

External Audit's findings, as detailed in Report 12/388, be noted.

P3. NATIONAL FRAUD INITIATIVE 2010/2011 AND 2012/2013

There was submitted a report by the Chief Internal Auditor (12/389) presenting the reported findings of the 2010/11 National Fraud Initiative exercise and outlining the preparations for the 2012/13 exercise.

It was noted that the National Fraud Initiative report had highlighted the Council's good practice and improvements made to strengthen the process for cancellation of blue badges when no longer required.

Resolved:

The position in respect of the work that had been undertaken in connection with the National Fraud Initiative exercise for 2010/11 and the work being undertaken in preparation for the 2012/13 exercise, as detailed in Report 12/389, be noted.

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