

## AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Hay Room, Dewar's Centre, Glover Street, Perth on Wednesday 29 June 2016 at 10.00am.

Present: Councillors B Vaughan, D Cuthbert, J Giacobazzi, M Roberts (substituting for A Stewart), W Wilson and A Younger.

In Attendance: J Clark, D Henderson, C Irons, M Morrison, L Potter, (up to Art. 544) J Symon and G Taylor (all Corporate and Democratic Services); D Adams and J Cockburn (both Education and Children's Services); H Hope (Environment Service); N Copland and L Robertson (up to Art. 544) both Housing and Community Care).

Also in Attendance: Councillor K Baird (up to Art. 544) and P Tate, Audit Scotland

Apology: Councillor A Stewart

Councillor Vaughan, Convener, Presiding.

### 536. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting. An apology and substitution were noted as above.

### 537. THANKS

Councillor B Vaughan advised this was her last meeting as Convener and thanked Committee Members, staff and Audit Scotland for their support and help while she had been Convener.

### 538. DECLARATIONS OF INTEREST

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

### 539. MINUTE

The minute of meeting of the Audit Committee of 30 March 2016 (Arts. 274–282) was submitted and approved as a correct record and authorised for signature.

In response to a question from Councillor W Wilson, J Clark confirmed the audit on the Roads Maintenance Partnership would be undertaken towards the end of the current financial year.

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**540. INTERNAL AUDIT FOLLOW-UP**

There was submitted a report by the Chief Internal Auditor (16/305), presenting the Committee with a current summary of Internal Audit's follow up work. It was noted the figures in Table 1 at Appendix A were correct and figures within the report had not been updated.

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

**Corporate and Democratic Services**

**(a) Audit Scotland 7 – Action Point 4**

A reassurance was given that the revised date of September 2016 would be met.

**Education and Children's Services**

**(a) 15–16(b) – City of Perth Early Childhood Centre**

A reassurance was given that the revised dates of August 2016 would be met.

**The Environment Service**

**(a) 13-18 – Fleet Management**

It was noted the Service Level Agreements between Fleet Management and other Council Services would be finalised by the end of July 2016.

**Resolved:**

- (i) The current position in respect of the agreed actions arising from internal and external work, be noted;
- (ii) The action plans be progressed, taking into account the recorded audit opinions.

**541. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (16/306) presenting a summary of Internal Audit's work against the 2015/16 Annual Plan.

In response to a questions from councillor W Wilson, J Clark confirmed the Roads Maintenance Partnership audit (16-22) and the Tayside Contracts audit (16-34) were separate audits and would not be combined and a report would be submitted to Committee on the Housing and Community Care Repairs and Improvements Service audit (16-42) if there were areas of improvement require to be highlighted.

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**Resolved:**

- (i) The completion of the Internal Audit Plan for 2015/16 be noted.
- (ii) The progress of work on the Internal Audit Plan for 2016/17 be noted.
- (iii) That the Chief Internal Auditor would provide a summary of consultancy and advisory work undertaken, planned or requested during the year as part of the regular Internal Audit Update report be approved.

The Committee considered the following final reports:-

**(i) Corporate and Democratic Services**

**(a) 15-02 – Establishment Approval Process**

There was submitted a report by the Chief Internal Auditor (16/307), on a consultancy assignment to provide advice and assurance over the controls in place within the approval process for recruitment and changes in circumstances.

It was noted the level of complexity within the process was unavoidable due to the levels of authorisation required within services, however, work within Human Resources regarding job families may streamline the process.

It was also noted where the time taken to recruit could be in excess of 100 days this would usually be due to a post having to be re-advertised.

**Resolved:**

- (i) Internal Audit's findings, as detailed in Report 16/307, be noted.
- (ii) A list of Protected Posts as referred to within Report 16/307, be requested from the Corporate Human Resources Manager for circulation to Committee members.

**(b) 15-32 – Corporate Governance – Governance Arrangements for Arms-Length External Organisations (ALEOs) and Statutory Bodies**

There was submitted a report by the Chief Internal Auditor (16/308), on the audit to ensure (1) there were clearly defined schemes of delegation and financial regulations which define responsibilities and levels of control; (2) the Governance groups terms of reference were subject to regular review to confirm their continuing relevance; (3) the governance framework being developed took account of future requirements and supports effective governance and (4) the governance framework in place supported good governance as well as efficient decision making process.

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In response to a question from Councillor D Cuthbert on the submission of the ALEOs accounts being submitted to a committee, J Symon advised they were not but there were monitoring arrangements in place within services and that was reported on to the Strategic Policy and Resources Committee. It was noted that the Financial Regulations were being reviewed taking into account the required governance arrangements for the Council's ALEO's and the Integrated Joint Board (IJB) to be submitted to Council in December 2016. A revised Scheme of Administration will be submitted to Council in October 2016. It was noted that members of the Scrutiny Committee would like more robust arrangements in place and currently the strength of the internal controls were moderately strong or moderate. Councillor B Vaughan advised there were seven action points to improve processes. Councillor B Vaughan referred to action point 4 which requires that induction training be provided to elected members newly appointed to a board to ensure they understand their role and responsibilities to act as a Council representative and advised although she would have preferred further action to be taken the proposal was acceptable.

Councillor B Vaughan also stated that action points 5, 6 and 7 would be reported to the Scrutiny Committee and any members would be welcome to attend that meeting.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/308, be noted.

**(c) 15-34 – Corporate Risk Management**

There was submitted a report by the Chief Internal Auditor (16/309), on a consultancy assignment to ensure the adequacy of corporate risk management within the Council.

Councillor B Vaughan referred to the major role for elected members in Corporate Risk Management. J Clark added the Service had identified a need for a root and branch review and the consultancy assignment had been undertaken by Scott Moncrieff who had expertise in this area.

Councillors D Cuthbert and W Wilson referred to the style of the report which differed from those provided by the Chief Internal Auditor and that it did not identify action points.

**Resolved:**

- (i) Internal Audit's findings, as detailed in Report 16/309, be noted.
- (ii) That a report would be submitted to the Strategic Policy and Resources Committee on 30 November 2016 be noted.

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(ii) **The Environment Service**

(a) **15-06 – LEADER**

There was submitted a report by the Chief Internal Auditor (16/310), on an audit to ensure that adequate arrangements were in place in line with LEADER requirements.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/310, be noted.

(b) **16-15 – Fuel Management**

There was submitted a report by the Chief Internal Auditor (16/311), on an audit to ensure that (1) the Council was obtaining best value when purchasing fuel; (2) there was effective control over the management of fuel held and dispensed at depots; (3) there was effective control over fuel purchased which had not been dispensed at any of the depots and (4) fuel usage figures were reliable and reconciled appropriately to provide assurance that fuel was being issued for the purposes of council business only.

It was noted that the completion of the action points would ensure the internal controls were strong and that improvements to the fuel card system would be made by August 2016.

Councillor D Cuthbert asked if there was vehicle tracking to check mileage of vehicles and that they were taking the shortest route. H Hope advised that some vehicles had tracking devices and that the Transformation Project on Fuel Management may include this aspect if there was potential for savings.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/311, be noted.

(iii) **Housing and Community Care**

(a) **15-12 – Buy Backs**

There was submitted a report by the Chief Internal Auditor (16/312), on a consultancy assignment to consider the Buy Backs process from first enquiry by an owner of a former local authority property through to completion of the purchase. It also examined management arrangements, monitoring and reporting along with the scope to increase the number of houses purchased through the scheme.

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Councillor D Cuthbert commented that although the report provided advice there were no action points so there would be no evidence that the action had been taken.

J Clark confirmed that Internal Audit would follow up to ensure action was taken.

Councillor D Cuthbert requested a list of properties bought back to see where they were across Perth and Kinross and asked if there was criteria for the purchases.

N Copland advised the criteria was where there was demand in an area for a particular size of property and a list could be provided of the properties bought back.

Councillor W Wilson referred to the format of the report as no outcome or action points were included.

Councillor B Vaughan suggested this was the difference between an audit and a consultancy report and J Clark confirmed that an audit report would have action points unless all control objectives were strong, however, consultancy reports were not treated the same as advice was given in working collaboratively with the service. If there were concerns following the consultancy, a formal audit would be instigated.

Councillor B Vaughan therefore advised she was reluctant to request action points be given for consultancy as advice was given instead, however, she requested that a report be submitted to a future meeting providing advice on the differences between audit and consultancy.

**Resolved:**

- (i) Internal Audit's findings, as detailed in Report 16/312, be noted.
- (ii) A report be submitted to a future Committee providing advice on the differences between audit and consultancy work.

**(b) 15-26 – Universal Credit**

There was submitted a report by the Chief Internal Auditor (16/313), on a consultancy assignment to provide assurance of the arrangements in place in preparation for the implementation of Universal Credit in Perth and Kinross.

It was noted that training had been provided by the Job Centre Plus to Housing and Community Care staff in March 2016 and a presentation would be given to elected members on the implementation.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/313, be noted.

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**(c) Health and Social Care Integration – Financial Assurance**

There was submitted a joint report by the Chief Internal Auditors of Perth and Kinross Council and NHS Tayside (16/314), on the audit to evaluate whether appropriate systems were in place and operating effectively to mitigate risks to the achievement of the objectives identified .

It was noted that the report had been prepared for the Integration Joint Board and was submitted for the Audit Committee's information.

J Clark advised that the audit found the financial processes were being appropriately managed and there were good working relations within the partnership.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/314, be noted.

**(iv) Education and Children's Services**

**(a) 15-28 – Culture, Sport and Leisure Provision**

There was submitted a report by the Chief Internal Auditor (16/315), on a consultancy assignment to provide an overview of Internal Audit's involvement with, and the current position of, arrangements for culture, sport and leisure provision within Perth and Kinross.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/315, be noted.

**542. EXTERNAL AUDIT REPORT**

**(i) 2015-16 Review of Main Financial Systems**

There was submitted a report by Audit Scotland (16/316), on a review of Perth and Kinross Council's main financial systems in 2015/16.

It was noted that Audit Scotland had undertaken a review of Internal Audit and concluded that it generally operates in accordance with the Public Sector Internal Audit Standards and had sound documentation standards and reporting procedures in place.

It was also noted that actions required would be completed by the end of June 2016.

**Resolved:**

Audit Scotland's finding, as detailed in Report 16/316, be noted.

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**543. INTERNAL AUDIT ANNUAL REPORT 2015/16**

There was submitted a report by the Chief Internal Auditor (16/317) presenting the year – end report and audit opinion for 2015/16.

**Resolved:**

The Chief Internal Auditor's opinion that reasonable reliance can be placed on the Council's governance arrangements and systems of internal control for 2015/16, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised in Section 2 of report 16/317, be noted. Whilst limited reliance can be placed on the corporate risk management arrangements for 2015/16, the implementation of the identified improvements should enable reasonable reliance for 2016/17.

**544. UNAUDITED ANNUAL ACCOUNTS 2015/16**

There was submitted a report by the Head of Finance (16/320) presenting the Council's Unaudited Annual Accounts for the financial year 2015/16 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

Councillor B Vaughan referred to the valuable session for Councillors held on final accounts.

**Resolved:**

- (i) The Unaudited Annual Accounts be submitted to the Controller of Audit by 30 June 2016, be approved.
- (ii) The head of Finance be authorised to sign the Unaudited Annual Accounts.

COUNCILLOR J GIACOPAZZI LEFT DURING DISCUSSION OF THE ABOVE ITEM.

**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**

**545. INTERNAL AUDIT REPORT**

**(i) Corporate and Democratic services**

**(a) 15-17 – IT Disaster Recovery Planning**

There was submitted a report by the Chief Internal Auditor (16/318) on the audit to ensure (1) an IT Disaster Recovery Plan exists, is complete and effectively linked to the Council's Business Continuity Plans where appropriate; (2) that there were appropriate supporting procedures to supplement the Disaster Recovery Plan; (3) an inventory of key systems had been developed; (4) an asset register of hardware and software



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was in place; (5) appropriate procedures had been implemented for the review and maintenance of the Disaster Recovery Plan; (6) all contracts with suppliers were up to date and their contact details easily accessible; (7) there had been appropriate engagement with stakeholders to ensure that, in the event of an IT related disaster, priorities for the Council had been understood and agreed prior to the event, (8) there were procedures in place for ensuring the Disaster Recovery Plan was tested regularly and (9) there were arrangements for secure storage of the Disaster Recovery Plan and associated procedures.

It was noted that the audit had been conducted by Scott-Moncrieff instead of being conducted in-house due to a change in resources available.

It was also noted that all Council offices within Perth were included in the planning and alternative storage and the sharing of resources had been examined.

In response to a question from Councillor A Younger, D Adams confirmed both public and private building were being considered as storage options.

The current Disaster recovery Plan & improvements in practices were discussed which would ensure all internal controls were strong.

**Resolved:**

Internal Audit's findings, as detailed in Report 16/318, be noted.

**546. EXTERNAL AUDIT REPORT**

**(i) 2015/16 Audit – Cyber Attack Preparedness**

There was submitted a report by Audit Scotland (16/319) on an audit to review the Council's preparedness to deal with cyber-attacks. The review covered (1) management arrangements – identifying the resources available and oversight provided for cyber security; (2) response arrangements – the arrangements in place to mitigate the risk of cyber-attacks as well as the capacity to deal with them and (3) Incidents – an assessment of cyber-attacks dealt with in the last year.

Discussion followed on the Council's preparedness; all staff and Councillors being risk aware and recent cases of ransomware attacks in other organisations.

**Resolved:**

Audit Scotland's findings, as detailed in Report 16/319, be noted.

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