

## **AUDIT COMMITTEE**

Minute of Meeting of the Audit Committee held in the Committee Room, Fourth Floor, Council Building, 2 High Street, Perth on Wednesday 16 January 2013 at 2.00pm.

Present: Councillors B Vaughan, A Stewart, D Cuthbert, J Giacomazzi, J Kellas, W Wilson and A Younger.

In Attendance: G Taylor, J Symon, J Clark, D Farquhar, and M Kay (all Chief Executive's Service); G Boland (Education and Children's Services); J Walker (Housing and Community Care), and S Mackenzie and J McCrone (The Environment Service).

Also Attending: N O'Connor, Audit Scotland.

Councillor Vaughan, Convener, Presiding.

### **24. DECLARATIONS OF INTEREST**

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

### **25. MINUTE OF PREVIOUS MEETING**

The Minute of Meeting of the Audit Sub-Committee of 14 November 2012 was submitted and approved as a correct record.

Councillor Wilson sought advice on training requirements for members of the Audit Committee and was advised that, whilst attendance at appropriate training would be desirable, the absence of training did not preclude participation.

### **26. INTERNAL AUDIT FOLLOW-UP**

There was submitted a report by the Chief Internal Auditor (13/19) 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; (4) the number of agreed actions yet to be followed up as their completion date has not been reached; and (5) detailed follow-up information on a Service by Service basis, in respect of outstanding actions agreed for completion in the period September and October 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) 09/013 Applications Software -Development and Maintenance – Action Point 3(2)**

G Boland reported that Action Point 3(2) was now complete and the information had now been passed to Internal Audit.

**(2) 09/030 – Housing Repairs – Action Point 4**

J Walker reported that the system trial in relation to paye.net would be completed at the end of January 2013.

**(3) 07/019 – Property Management – Action Point 1**

In response to a query from Councillor Younger, J Clark explained that the responsible officer for this action had now changed and outlined the reasons given for the delay in completing the required actions, which were now being progressed. J McCrone advised that the Property Sub-Committee at its meeting on 9 January 2013 had considered a report recommending the adoption of a policy for disposal of land and buildings and the Executive Director (Environment) was to submit a further report on the Council's priorities on disposal of assets to the Strategic Policy and Resources Committee in April 2013.

**(4) 07/019 – Property Management – Action Point 7**

Councillor Stewart stressed the importance of ensuring that property assets were utilised efficiently and J Walker reported that the importance of a frequent review of the commercial portfolio was recognised, and a priority was to ensure an adequate supply of land for economic development purposes. J McCrone reported on the actions taken to date to manage the portfolio of assets.

Councillor Wilson pointed to the unnecessary cost to the Council in relation to maintenance costs incurred for properties held surplus to requirements and stressed the importance of minimising timescales for the disposal process.

**(5) 11/04 – Creditors / Purchase Ledger – Action Point 2**

In response to a question from Councillor Younger on the completion of written procedures, S Mackenzie advised that the purpose of the review was to amend the written procedures, which was in addition to the regular review of Financial Regulations.

**(6) Outstanding Actions Not Detailed in Report 13/19**

Councillor Cuthbert referred to the outstanding action in Report 13/19 categorised as critical and was advised that this was being progressed but was not yet due to be reported.

In response to a request for improved access to past reports referred to in the report, G Taylor advised that committee reports would shortly be

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readily available in numerical order, following the migration of committee papers to the Council's new website.

**Resolved:**

- (i) The current position in respect of the outstanding agreed actions arising from internal/external audit work be noted.
- (ii) The agreed action plans be progressed, taking into account the recorded audit opinion.
- (iii) The Chief Internal Auditor review the format of future reports to provide members of the Committee with summary information on actions reported as incomplete on their original agreed date, including explanations on why actions raised as critical or high remained incomplete.

**27. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (13/20) presenting a summary of Internal Audit's work against the 2012/13 annual plan.

**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) Chief Executive's Service**

**(a) 12-08 – Capital Budgeting/Monitoring**

There was submitted a report by the Chief Internal Auditor (13/21) on the internal audit review carried out to ensure (1) the integrity and adequacy of the contents of the documentation that supports the budget decision-making process, and (2) the adequacy of arrangements for monitoring and reporting on the composite capital programme, and, given that there was evidence the actions were currently being addressed by the Council, recommending the audit assignment be rescheduled to a future audit plan.

Councillor Wilson expressed concern on slippage on capital expenditure, and J Walker reported on action being taken, led by the Executive Director (Environment), to review the 7-year capital programme and noted that, as capacity to deliver was affected by legal, property and financial issues, relevant officers were concentrating on addressing these aspects.

**Resolved:**

Internal Audit's findings, as detailed in Report 13/21, be noted.

**(b) 12-13 Insurance**

There was submitted a report by the Chief Internal Auditor (13/22) setting out the results of the internal audit review of controls in place to ensure that (1) a risk assessment had been carried out in respect of the Council's insurance requirement, (2) appropriate and adequate insurance cover is provided on the basis of best value and in accordance with established policy, and (3) efficient and effective processes are in place for processing insurance claims.

In response to a query from Councillor Younger on Action Point 1, J Clark confirmed that loss control visits had been made previously to all properties.

Councillor Vaughan noted that as Action Point 2 was complete it would not be included in future reports.

**Resolved:**

Internal Audit's findings, as detailed in Report 13/22, be noted.

**28. ANNUAL STATEMENT OF ACCOUNTS 2011/12; REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260); AND EXTERNAL AUDITORS' ANNUAL REPORT ON THE 2011/12 AUDIT**

There was submitted a report by the Head of Finance (13/23) accompanying (1) the Council's Audited Statement of Accounts for the financial year 2012/13, (2) the Report to those charged with Governance on the Audit of Perth and Kinross Council 2012/13, and (3) the External Auditors' Annual Report on the 2012/13 Audit.

**(a) Audited Statement of Accounts 2012/13**

It was noted that the above report had been noted by the Council at its meeting on 3 October 2012 and had been referred to this meeting for detailed consideration.

In response to Councillor Wilson's concern over the complexity of information provided and his request for advance briefing on the contents, Councillor Vaughan noted that information was provided on a regular basis in reports to the Strategic Policy and Resources Committee, and J Symon gave a detailed explanation of the process.

In response to a question from Councillor Giacomazzi on the position on carry forward of surplus funds, J Symon pointed to the position on the general fund balance as at 31 March 2012 of £37.502m, against which there were commitments of £22.739m. On the use of the balance, he advised that the annual report submitted to the Special Meeting of the Council in February each year set out the Council's reserves position and referred to the Reserves Strategy for managing the level of resources to address unforeseen circumstances to which under-spend could be applied or carried forward by services.

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In response to a question from Councillor Giacopazzi on insurance arrangements, J Symon advised that excess levels were designed to manage risk.

(b) Report to those charged with Governance on the Audit of Perth and Kinross Council 2012/13

In response to a question from Councillor Stewart on the current position on equal pay and single status claims, J Symon advised that an allowance had been made for this in reserves. but noted that the deadline for submitting single status claims had passed, although claims were still being processed.

In response to a query from Councillor Cuthbert, J Symon reported on the impact of adjustments to group accounts of new arrangements for Fire and Rescue and Police Services.

Councillor Cuthbert enquired if property values had an effect on borrowing and J Symon advised this was unlikely to be an issue as this was based on all assets held.

(c) External Auditors' Annual Report on the 2012/13 Audit

It was noted that the above report had been noted by the Council at its meeting on 19 December 2012 and had been referred to this meeting for detailed consideration.

Councillor Vaughan noted the key messages of the report and referred to the statement that the external auditors did not expect all risks to be eliminated or even minimised, but that the Council should understand its risks and put arrangements in place to manage these risks.

Councillor Cuthbert referred to the position on Kinross Common Good Fund and enquired if implementation of the external auditors' action points would be reported to the Audit Committee. J Clark confirmed any outstanding action points would be included in the regular follow-up reports and N O'Connor advised that the external auditors would report back to Committee on the position on an annual basis.

In response to a question from Councillor Wilson, N O'Connor reported on the approach taken to account for Tayside Contracts assets and liabilities and noted the action to be taken.

In response to Action Point 7, Councillor Wilson requested that the report to be submitted to the Strategic Policy and Resources Committee and any Audit Scotland national reports be submitted to the Audit Committee for consideration. Councillor Vaughan pointed out that many of these reports would normally be submitted to the Scrutiny Committee and the appropriate themed committee but indicated she would be grateful if the Audit Committee could be alerted to the publication of any national reports by Audit Scotland.

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In relation to Action Point 3, Councillor Kellas enquired on the actuarial assumption on the funding of the Tayside Superannuation Pension Fund and J Symon advised that contribution rates were reviewed regularly to ensure the fund was sustainable and noted that contribution rates had risen significantly in recent years.

**Resolved:**

The contents of Report 13/23 and related documents be noted.

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

**29. INTERNAL AUDIT FOLLOW-UP**

**(i) Appendix E**

There was submitted and noted Appendix E of Report 13/19 by the Chief Internal Auditor presenting further information on Internal Audit's current follow-up work on Audit 11-01 Action Points 7.1 and 7.2 in relation to Housing and Community Care.

**(ii) Appendix F**

There was submitted and noted Appendix F of Report 13/19 by the Chief Internal Auditor presenting further information on Internal Audit's current follow-up work on Audit 11-01 Action Points 7.1 and 7.2 in relation to The Environment Service.

In response to a question from Councillor Kellas as to the level and nature of physical checks carried out, S Mackenzie and J Clark explained in more detail the robust actions in place to manage risk.

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