

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Committee Room, Fourth Floor, Council Building, 2 High Street, Perth on Wednesday 2 April 2014 at 10.00am.

Present: Councillors D Cuthbert, B Vaughan, A Stewart, H Anderson, J Giacobazzi, W Wilson and A Younger.

In Attendance: J Clark, M Morrison, J Somerville, J Symon, G Taylor (all Chief Executive's Service); H Hope (The Environment Service); L Brady, N Copland, G Stewart and A Taylor (all Housing and Community Care); and J Cockburn (Education and Children's Services) .

Also Attending: S Boyle, A Cairns and C Gardner, Audit Scotland.

Councillor Vaughan, Convener, Presiding.

210. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting. There were no apologies or substitutions.

211. DECLARATIONS OF INTEREST

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

212. MINUTE

The minute of meeting of the Audit Committee of 5 February 2014 was submitted and approved as a correct record.

The Chief Internal Auditor advised that in relation to the submission of a timetable for the review of the Council's corporate governance rules to take account of the requirements of the Bribery Act 2010 (Art. 59 refers), progress was being made and consultation would take place prior to submission of the timetable to the June 2014 meeting of the Committee.

213. THE INTERNAL AUDIT PLAN 2014/15

There was submitted a report by the Chief Internal Auditor (14/137) which presented the proposed Internal Audit Plan for the financial year 2014/15.

Resolved:

The proposed Internal Audit Plan for 2014/15, as set out in Report 14/137, be approved.

214. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (14/138) which presented the current summary of Internal Audit's 'follow up' work and detailed (1) a summary of 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 which had yet to be followed up as their completion date had not been reached; (5) actions arising from the recent audit of Business Continuity included prior to the evaluation of the evidence; and (6) detailed follow-up information on a Service-by-Service basis, in respect of actions agreed for completion in the period of November and December 2013.

It was noted that in paragraph 1.2 in Report 14/138 the total number of actions stated as 112 was an error and that this should be correctly shown as 110 actions, in keeping with the total figure of 110 shown in Appendix 1 to the report.

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

Education and Children's Services

Register of School Funds – Action Point 1 – 12-15

The proposed completion date of October 2015 was noted and it was agreed that an update be provided to this Committee in December 2014.

Housing and Community Care

Non-Domestic Rates – Action Point 1 – 13-06

G Taylor advised that the revisions to the Scheme of Administration would be submitted to Council on 7 May 2014.

Resolved:

- (i) The current position in respect of the agreed actions arising from internal and external work be noted.
- (ii) The agreed action plans be progressed, taking into account the recorded audit opinions.
- (iii) The Executive Director (Education and Children's Services) provide an update to this Committee on the Register of School Funds in December 2014.
- (iv) The Chief Internal Auditor provide an update to this Committee in June 2014 on the outcome of the evaluation of evidence in respect of the action arising from the audit of Business Continuity.

215. INTERNAL AUDIT UPDATE

There was submitted a report (14/139) by the Chief Internal Auditor presenting a summary of Internal Audit's work against the 2013/14 annual plan.

Resolved:

The progress made on Internal Audit's work against the plan for 2013/14 be noted.

The Committee considered the following final reports:-

(i) Chief Executive's Service

(a) 13-01 – Revenue Monitoring

There was submitted a report by the Chief Internal Auditor (14/140) on the internal audit review carried out to verify the adequacy of the procedures in place for ensuring that accurate and timely revenue monitoring information was provided (1) by Services to the Head of Finance and (2) by the Head of Finance to the Strategic Policy and Resources Committee.

Councillor Wilson asked if the position, in terms of internal controls, would be expected to move from moderately strong to strong following implementation of the Action Plan. The Chief Internal Auditor agreed that the actions were designed to strengthen the controls and noted that these would be monitored through Internal Audit's 'follow up' arrangements.

Resolved:

Internal Audit's findings, as detailed in Report 14/140, be noted.

(b) 13-13 – Payroll

There was submitted a report by the Chief Internal Auditor (14/141) on the internal audit review examining the Council's payroll procedures and controls with regard to starters and leavers, as operated by the Chief Executive's Service Finance Division.

Resolved:

Internal Audit's findings, as detailed in Report 14/141, be noted.

(ii) Housing and Community Care

(a) 13-15 – Spend Profiling

There was submitted a report by the Chief Internal Auditor (14/142) on the internal audit review to assist Housing and Community Care by providing advice on current procurement practice and also preparing

for the implementation of the Procurement Reform (Scotland) Bill, introduced into the Scottish Parliament in October 2013.

Councillor Wilson commented on the complexity of the subject and the Chief Internal Auditor noted that the position could not yet be described as strong but that preparation to ensure compliance in accordance with the provisions of the Bill was underway. A Taylor added that the Service was confident that the requirements of the legislation would be met although the detail of the legislation was not yet known. Councillor Vaughan asked if in terms of procurement, procedures would be in place prior to the implementation of the legislation. The Chief Internal Auditor reported that, if necessary, the terms on which Tayside Contracts engaged with other parties to the Tayside Procurement Consortium would be reviewed once the Bill had been enacted.

Resolved:

Internal Audit's findings, as detailed in Report 14/142, be noted.

(iii) Education and Children's Services

(a) 13-35 – Looked After Children's Services – The Cottages

There was submitted a report by the Chief Internal Auditor (14/143) on the internal audit review of the adequacy of the arrangements in place to ensure the achievement of management control objectives within Looked After Children's Services.

Councillor Wilson asked for clarification on the inclusion of two responsible officers and the Chief Internal Auditor reported that this reflected the responsibility of one member of staff who was leading in consultation with another member of staff.

Resolved:

Internal Audit's findings, as detailed in Report 14/143, be noted.

216. EXTERNAL AUDIT REPORTS

(i) Audit of Housing and Council Tax Benefit – Risk Assessment Report

There was submitted a report by Audit Scotland (14/144) on a risk assessment of the Council's housing and council tax benefit arrangements, which had been completed as part of Audit Scotland's housing benefit risk assessment programme but did not represent a full audit of Perth & Kinross Council's benefits service.

A Cairns, Audit Scotland, was present to speak to the report. She provided a background to the current audit and noted that the Council's benefit service had a significant and increasing backlog at the time of Audit Scotland's risk assessment in September 2011. She added that

this backlog had been cleared by the service and the resulting decline in speed and performance had improved in 2012/13 to above the Scottish average.

A Cairns referred to considerable change taking place within the service and to the impact on the service of welfare reform changes. She noted that performance, however, had dipped in the current year and that the Council had lost over £227,000 in subsidy over two years as a result of exceeding the lower threshold for local authority error.

In conclusion, A Cairns reported that Audit Scotland had accepted the proposed action plan and believed that the service was already well on the road to recovery.

L Brady referred to the last several years having been a period of significant transition due to the economic downturn and welfare reform. She added that considerable progress had been made against the action plan and that the introduction of risk based verification from April 2014 would assist with improving processes within housing benefit administration. This in turn would improve performance and customer experience.

Councillor Stewart noted that the loss in subsidy over two years was substantial and A Cairns reported that four other councils had experienced a loss of subsidy in the same period.

Councillor Wilson asked a question relevant to the duration of employee training and L Brady confirmed that 18 months to train a member of staff was the minimum training period required. Councillor Anderson asked a question regarding staff turnover and L Brady noted that turnover was not exceptional but that key members of staff had been lost and there had been difficulties relevant to recruitment.

In response to questions regarding resources spent at corporate level, training support, and confidence in the action plan, A Taylor reported that the service was well supported corporately. He added that training replacement staff, including agency staff, had been difficult, especially at a time of significant change. A Taylor noted that the situation was being monitored on a monthly basis by the Housing and Community Care Senior Management Team and that support was also provided by the Head of Finance and the Executive Officer Team.

Councillor Vaughan asked if benchmarking against other councils was being applied and A Cairns reported that good practice was shared across councils but that methodologies and targets were not uniform. She added that every council should set realistic targets.

L Brady suggested that any elected member or officer would be welcome to make contact with her or her colleague, G Stewart, at any

time if they had any further queries regarding the subsidy loss or the follow up actions.

Resolved:

- (i) Audit Scotland's findings, as detailed in Report 14/144, be noted.
- (ii) In relation to the update on performance to be provided to Audit Scotland by 31 July 2014 in respect of quarter 4 of 2013/14 and quarter 1 of 2014/15, the Executive Director (Housing and Community Care) was requested to submit the update to this Committee also.

(ii) Perth and Kinross Council: Annual Audit Plan 2013/14

There was submitted a report by the External Auditors, Audit Scotland (14/145) on the Annual Audit Plan 2013/14 for the Council.

S Boyle, Audit Scotland, provided an overview of the Annual Audit Plan 2013/14 highlighting audit issues, key challenges and risks facing the Council. He also outlined the audit work proposed to be undertaken by Audit Scotland in 2013/14.

Councillor Vaughan commended the Audit Scotland – Annual Audit Plan 2013/14. Councillor Stewart also welcomed the report which he believed reflected the robust arrangements within the Council.

Resolved:

Audit Scotland's Annual Audit Plan 2013/14 for the Council be noted.

217. AUDIT COMMITTEE REVIEW OF EFFECTIVENESS

There was submitted a report by the Chief Internal Auditor (14/146) presenting a summary of the outcomes from the Audit Committee's review of its effectiveness.

Councillor Vaughan thanked all of those who had been able to attend the review and reported that those who had been unable to attend had been contacted separately.

Resolved:

- (i) The Role and Remit of the Audit Committee be endorsed as remaining fit for purpose for 2014/15.
- (ii) The Chief Internal Auditor work with Democratic Services to develop a programme of sessions for elected members in line with the findings of the self-assessment, as outlined in Report 14/146 at Paragraph 2.2.