

PERTH AND KINROSS COUNCIL  
AUDIT COMMITTEE  
28 MARCH 2018

## **AUDIT COMMITTEE**

Minute of meeting of the Audit Committee held in the Council Chambers, 2 High Street, Perth on Wednesday 28 March 2018 at 2.00pm.

Present: Councillors B Band, K Baird, A Coates, S Donaldson, D Illingworth, X McDade and B Pover (substituting for E Drysdale).

In Attendance: J Clark, C Irons, S Mackenzie, M Morrison, L Simpson and G Taylor (all Corporate and Democratic Services); J Cockburn, Education and Children's Services; H Hope, Environment Service and N Copland and S Strathearn (both Housing and Community Safety).

Also in Attendance: A Shaw, KPMG

Apologies: Councillor E Drysdale

Councillor Band, Vice-Convener, Presiding.

### **164. WELCOME AND APOLOGIES/SUBSTITUTIONS**

The Vice-Convener welcomed everyone to the meeting and welcomed Councillor Kathleen Baird back on to the Committee.

### **165. DECLARATIONS OF INTEREST**

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

### **166. MINUTE**

The minute of meeting of the Audit Committee of 31 January 2018 (Arts.49-54) was submitted and approved as a correct record and authorised for signature.

### **167. INTERNAL AUDIT FOLLOW UP**

There was submitted a report by the Chief Internal Auditor (18/102) presenting a current summary of Internal Audit's follow up work.

It was noted that a trainee had been recruited to the Internal Audit Team and the recruitment process to appoint an Auditor would begin soon. J Clark assured members the Audit Plan could be resourced appropriately.

It was also noted that there would be a report submitted to the Strategic Policy and Resources Committee on 18 April 2018 on the implementation of the General Data Protection Regulation (GDPR). While the Regulation was due to come into force on 25 May 2018, the UK legislation on the detailed implementation had not yet been published.

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In the meantime, training was being provided through briefings, awareness raising and sessions with specific teams.

**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 options.

**168. INTERNAL AUDIT UPDATE**

There was submitted a report by the Chief Internal Auditor (18/103) presenting a summary of Internal Audit's work against the 2017/18 annual plan.

**Resolved:**

The progress of work against the 2017/18 annual plan be noted.

The Committee considered the following final reports:-

**(i) Corporate and Democratic Services**

**(a) 17-20 – Creditors' System**

There was submitted a report by the Chief Internal Auditor (18/104) on an audit to ensure (1) that appropriate regulations, policies and procedures were in place for the requisition, purchase, receipt and payment of good and services and (2) that adequate system controls were in place to ensure the integrity of the creditors' system.

It was noted that governance arrangements had been made to ensure that invoices were only authorised by a person with the appropriate documented authority to do so.

**Resolved:**

Internal Audit's findings, as detailed in Report 18/104, be noted.

**(b) 17-21 – HMRC Guidance – IR 35 Compliance**

There was submitted a report by the Chief Internal Auditor (18/105) on an audit to provide assurance over Service compliance with processes for the HM Revenue and Customs (HMRC) guidance known as IR35.

**Resolved:**

Internal Audit's findings, as detailed in Report 18/105, be noted.

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**(c) 17-26 – Council Tax**

There was submitted a report by the Chief Internal Auditor (18/106) on an audit to ensure the adequacy of controls in relation to Council Tax discounts and exemptions.

Councillor McDade asked for clarification of the process in place to remove officers from the Council Tax system to ensure their access was revoked when no longer required. J Clark advised she would check the position and circulate the information to members.

In response to a question from Councillor Donaldson, J Clark confirmed that a person could not be deleted from the Council Tax system but had to have their access denied.

**Resolved:**

Internal Audit's findings, as detailed in Report 18/106, be noted.

**(ii) Housing and Community Safety**

**(a) 17-06 – Northgate Housing Information System**

There was submitted a report by the Chief Internal Auditor (18/107) on an audit to ensure (1) that support and maintenance arrangements were in place for the Northgate Housing Information System and (2) that adequate physical and logical access controls were in place.

**Resolved:**

Internal Audit's findings, as detailed in Report 18/107, be noted.

**169. NATIONAL FRAUD INITIATIVE PROGRESS REPORT**

There was submitted a report by the Chief Internal Auditor (18/108) outlining the action that has been taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative (NFI) for 2016/17.

In response to a question from Councillor McDade, J Clark advised that the trend for recovery of overpayments had been relatively static over a number of years.

L Simpson confirmed that the position taken by Perth and Kinross Council with regard to the National Fraud Initiative had been reviewed by her when she took up post, and she confirmed the position with regard to not providing the electoral register for the NFI.

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**Resolved:**

- (i) The contents of Report 18/108, which outlines the action taken by Perth & Kinross Council in response to the requirements of the National Fraud Initiative and the outcomes for the 2016/17 exercise, be noted.
- (ii) The actions taken by the Revenues & Benefits Service as a result of the non-provision of electoral register information, be noted.

**170. THE INTERNAL AUDIT STRATEGY & INTERNAL AUDIT PLAN – APRIL-JUNE 2018**

There was submitted a report by the Chief Internal Auditor (18/109) presenting the strategy for the delivery of Internal Audit and the proposed Internal Audit Plan for the period April to June 2018.

J Clark referred to the proposal to develop a more thematic risk-based audit plan from 2018/19 to reflect the priorities and objectives of the Council and to better target the key corporate risks. The detailed Audit Plan will be submitted to the Audit Committee on 27 June 2018.

In response to a question from Councillor Illingworth, J Clark advised that the thematic approach would enable the Audit Team to look at cross-service delivery and not just one area. L Simpson added that it would also provide a better structure for reviewing audit outcomes.

Councillor McDade asked if it was too soon to assess the effect of the changes in the process and J Clark advised that for now the thematic approach would be introduced to run in tandem with the current system. L Simpson confirmed that the traditional audit would continue as well as best value work and at least a year would be needed to review and refine the new process.

Councillor Donaldson queried the timetable for the General Data Protection Regulation (GDPR) report and L Simpson advised the Information Compliance Officer would be invited to attend the next meeting of the Audit Committee to provide information on the planning being undertaken for implementation of the Regulation.

There followed further discussion on the Internal Audit Plan and the timetabling of individual audits.

**Resolved:**

- (i) The first quarter of the 2018/19 Audit Plan focussing on developing a more thematic risk-based Audit Plan based on the priorities and objectives outlined in the Local Outcome Improvement Plan and the Council's Corporate Plan be submitted to the next Audit Committee on 27 June 2018.
- (ii) The further plan to reflect the key strategic and operational risks identified through the governance & best value assurance self-assessments and the service risk workshops, be approved.
- (iii) In addition, it be approved that the following specific work be carried out:
  - the certification of Council grant claims;
  - facilitating the Council's response to the National Fraud Initiative;

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- completion of the [2017/18 Internal Audit Plan](#);
  - follow up report in respect of financial assessment and charging;
  - supporting the Chief Internal Auditor for the Integrated Joint Board and;
  - other ad-hoc audit assignments or investigations as required.
- (iv) The Information Compliance Officer be invited to attend the next Audit Committee to provide members with information on the General Data Protection Regulation.

**171. PERTH AND KINROSS COUNCIL EXTERNAL AUDIT STRATEGY**

There was submitted a report by External Auditor, KPMG (18/110) presenting the External Audit Strategy for 2017/18.

A Shaw, KPMG, gave a summary of the report highlighting the sections on materiality and audit risks.

Councillor Donaldson requested clarification on the Council's pension liability and A Shaw confirmed the risk was in relation to the net pension liability accounted for in the financial statements. He added there was always a risk that pensions were not adequately funded but that was not the aspect covered by this report.

In response to a question from Councillor McDade, A Shaw advised that there was a separate accounting fee for the Integration Joint Board.

Councillor Illingworth asked if there had been a fundamental change from the previous year in the External Auditor's approach and A Shaw advised it had been very similar with the first year being KPMG familiarising themselves with the Council's practices and the second year was continuing with that work.

**Resolved:**

The external Audit Strategy for 2017/18 be noted.

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