

PERTH AND KINROSS COUNCIL
AUDIT COMMITTEE
4 FEBRUARY 2015

AUDIT COMMITTEE

Minute of meeting of the Audit Committee held in the Gannochy Suite, Glover Street, Perth on Wednesday 4 February 2015 at 2.00pm.

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

In Attendance: J Clark, C Irons, M Morrison, L Potter, H Rheinallt, J Symon and G Taylor (all Chief Executive's Service); J Cockburn, G Gilvear and K Wilson (Education and Children's Services); S Mackenzie and W Young (the Environment Service) and N Copland and M Mitchell (Housing and Community Care).

Also in attendance: S Boyle and N O'Connor, Audit Scotland.

Councillor Vaughan, Convener, Presiding.

75. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting and no apologies were noted.

76. DECLARATIONS OF INTEREST

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

77. MINUTE

The minute of meeting of the Audit Committee of 26 November 2014 (Arts. 773 – 777) was submitted and approved as a correct record.

It was also noted that the Roads Asset Management Plan would be submitted to the Enterprise and Infrastructure Committee on 25 March 2015 instead of 21 January 2015.

78. INTERNAL AUDIT FOLLOW-UP

There was submitted a report by the Chief Internal Auditor (15/55) presenting a current summary of Internal Audit's 'follow up' work and detailing (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; and (5) detailed follow-

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up information on a Service-by-Service basis, in respect of actions agreed for completion in the period of September and October 2014.

The Convener congratulated both Education and Children's Services and Housing and Community Care for having no actions outstanding for this period.

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

Chief Executive's Service

(a) 11-12 – Monitoring and Annual Reports – Action Point 14

It was noted that the revised Code of Guidance for Following the Public Pound would be submitted to the Strategic Policy and Resources Committee on 11 February 2015.

(b) 12-07 – Managing Sickness Absence – Action point 1

It was noted that in the absence of agreement with the teaching unions no further action be taken in respect of enforcing the revised maximising Attendance Policy and Procedure.

Councillor Vaughan noted that it was a decision of the Education and Children's Services Senior Management Team not to progress this.

Councillor Wilson expressed concern as although sickness absence trends had declined, they could go up and there would then be no redress if enforcing of Policy and Procedure was not progressed.

Councillor Stewart expressed disappointment at not reaching an agreement with the teaching unions after lengthy discussion.

Councillor Vaughan agreed with the disappointment expressed but stated any further action required to be taken through the Lifelong Learning Committee, which annually reviewed sickness figures, and not the Audit Committee.

Councillor Wilson requested his disappointment and unease at the situation be recorded.

(c) 12-20 – Gifts and Hospitality – Action Point 11

It was noted that the Counter Fraud and Corruption Strategy would be submitted to the Strategic Policy and Resources Committee on 11 February 2015.

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(d) Audit Scotland 7 – Action Point 2

It was noted that a report considering the Council's approach to undertaking corporate risk assessments would be considered by the Executive Officer Team in March and the outcome reported to Audit Scotland.

Environment Service

(a) 13-18 – Fleet Management – Action Point 7

It was noted that an application to add an alternate Transport Manager to the Operator's Licence had been submitted to the Traffic Commissioner and after providing clarification on the application it was anticipated that the outcome would be known by the end of February.

(b) 13-18 – Fleet Management – Action Point 10

It was noted the development of methodology to carry out structured post implementation reviews to include assessing the processes within Education and Children's Services with a view to rolling out good practice corporately had now been completed.

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 opinion.

79. INTERNAL AUDIT UPDATE

There was submitted a report by the Chief Internal Auditor (15/56) presenting a summary of Internal Audit's work against the 2014/15 Annual Plan.

In response to a question from Councillor Wilson on why no report was required for the audit of the Bus Service operators grant, referred to in Appendix A, J Clark advised no report was required as there were no control issues.

Councillor Younger enquired about the ongoing review of safes and J Clark advised a review was being undertaken across the Council and if there were any control issues a report would be submitted to the June Committee.

Councillor Wilson requested an indicative date be provided of when a report would be submitted to Committee, however, J Clark advised there may be no issues to report to Committee and Councillor Vaughan stated the priority was to complete work included in the plan and the assignments listed in Appendix C to report 15/56 were not included in the plan for 2014/15.

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Resolved:

- (i) The Internal Audit Plan would be completed within the year be noted.
- (ii) The progress made on Internal Audit's work against the Plan for 2014/15 be noted.

The Committee considered the following final reports:-

(i) Housing and Community Care

(a) 14-11 – Management of Contracts

There was submitted a report by the Chief Internal Auditor (15/57) on the audit to ensure (i) the Council's policy on the management of contracts provided a strong foundation for effective internal control; (ii) a robust framework for effective internal control and (iii) the policy and procedures were applied in practice to deliver effective internal control.

W Young detailed the background to the situation referred to in action point 8 in relation to contracting for temporary staff and he assured members that a process was now in place to ensure appropriate monitoring was undertaken in respect of all contracts within the service.

Councillor Wilson asked what the value of the contract was and W Young advised as it was a schedule of rates there was no set value, however, it was £522,000 for the current contract but this could increase if sickness absences required to be covered.

W Young also advised the agency had a manager on site who took cognisance of staffing on a day-to-day basis and weekly meetings were held between the agency manager and council staff to agree staffing.

Councillor Vaughan stated it was important to minimise risk but it was not for the Audit Committee to look at the day-to-day processes.

In respect of action point 1, G Taylor advised the Scheme of Administration would be submitted to the Council meeting in February 2015 for approval.

M Mitchell advised an updated procurement strategy would be submitted to the Strategic Policy and Resources Committee in June 2015 in response to action point 2 on Contract Rules.

M Mitchell responded to a point raised by Councillor Wilson on why some contracts were not promptly reported, advising that it was at the financial year end and the list of contracts had not

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been refreshed when the committee report was being prepared and had therefore been omitted. Action had been taken to address this.

Resolved:

- (i) Internal Audit's findings, as detailed in Report 15/57, be noted.
- (ii) All services ensure there was a robust system in place for the monitoring of contracts.

(b) 14-12 – Quality of Residential Care

There was submitted a report by the Chief Internal Auditor (15/58) on the audit of the arrangements in place for the verification of care standards in residential placements.

Resolved:

Internal Audit's findings, as detailed in Report 15/58, be noted.

(ii) Education and Children's Services

(a) 14-13 – Management of the Relationship with Live Active Leisure

There was submitted a report by the Chief Internal Auditor (15/59) on the audit of the arrangements in place to monitor and manage the relationship with Live Active Leisure.

J Clark advised that "A difference between the value of the contracts to ECS and the monthly payment was identified" should have been deleted from the Auditor's comments as this action had been resolved.

Resolved:

Internal Audit's findings, as detailed in Report 15/59, be noted.

(b) 14-15 – IT Change Management

There was submitted a report by the Chief Internal Auditor (15/60) on the audit of the arrangements in place for the change management of Information Technology.

In response to a question from Councillor Cuthbert, Councillor Vaughan advised reports on IT Change Management would be submitted to the Strategic Policy and Resources Committee.

K Wilson assured members that the April 2015 deadline would be met for approval of performance indicators relevant to the IT change management.

Resolved:

Internal Audit's findings, as detailed in Report 15/60, be noted.

80. AUDIT SCOTLAND ANNUAL REPORT ON THE 2013/14 AUDIT

There was submitted and noted a report by the Head of Finance (15/61) on the Audit Scotland annual report on the 2013/14 audit.

S Boyle, Audit Scotland referred to the Audit report covering the 2013/14 audit and highlighted that the audit year differed from the financial year in that it runs from November to October.

It was noted that the Audit Committee of 17 September 2014 had considered the report to those charged with governance on the audit of Perth and Kinross Council and the unaudited statement of accounts and at the Council meeting on 8 October 2014 the audited statement of accounts were considered.

S Boyle stated that a clean audit statement had been given with no qualifications.

The Council was in a healthy financial position with an increase in reserves.

S Boyle added that there were new policy framework guidelines for next year introducing new accounting regulations and it was intended that the two reports be combined in respect of governance and performance monitoring.

Councillor Stewart stated it was encouraging to get a clean bill of health due to strong financial management. He also referred to the considerable sum of money required for increased pension liabilities and the need to manage the unknown cost.

J Symon responded that this was a very volatile area but a long term forecast had been made and would be covered by the budget papers for the Council meeting on 12 February 2015.

Councillor Wilson referred to the underspend of £1.1million against service budgets in the year and how this compared to other Local Authorities.

N O'Connor advised that comparison was not currently available but would provide that to Councillor Wilson when it was.

J Symon advised that within the Composite Capital Budget and Housing Investment Programme report being submitted to the Strategic Policy and Resources Committee on 11 February 2015 there were details of 118% projected Capital Expenditure and 94% projected Housing Investment.

Councillor Wilson queried the inclusion of depot charges within the accounts with respect to the Tayside Contracts Minute of Agreement and J Symon confirmed the Agreement did cover charging for assets.

S Boyle advised he was not aware of the detail of the Agreement but could include it in next year's annual report.

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Councillor Vaughan stated she found the annual report very readable and well presented with the summary of local and national reports provided in appendices I and II to the report very helpful.

Councillor Vaughan echoed the views that the Council was in a strong financial position and on behalf of the Committee, thanked Audit Scotland for their report and support to the Finance section.

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