

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 25 JUNE 2010**

Present:

Mr Ian M M Ross (Chair)

Councillor Gordon Chalmers
Councillor David Kinniburgh

Councillor Andrew Nisbet

Attending:

Charles Reppke, Head of Governance and Law
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Kate Connelly, Operations Manager – Trading Standards
Gary Devlin, Grant Thornton UK
Rikki Young, Special Projects Officer
Lisa Bond, Strategic HR Officer
Stephen Colligan, Policy Assistant

1. MINUTES

The Minutes of the Audit Committee meeting held on 5 March 2010 were approved as a correct record.

2. MANAGING ATTENDANCE 2009/10

A report detailing the sickness absence figures for the financial year 2009/10, and providing a comparison, where appropriate, with the figures for 2008/09 was considered.

Decision

1. Noted the current position and statistics for 2009/10;
2. Noted the initiatives that have been implemented since December 2009;
3. Endorsed the ongoing management of sickness absence in a consistent way to promote an attendance culture within Argyll and Bute Council; and
4. Expressed satisfaction with the transparency of the report and agreed that this provided a huge opportunity for painless cost reductions by managing absence.

(Reference: Report by Head of Improvement and Strategic HR, submitted)

3. PERFORMANCE MANAGEMENT

A report outlining progress made to date by Argyll and Bute Council in using the Pyramid performance management system to embed performance management as part of the Council's overall improvement agenda was considered.

Decision

1. Noted the positive progress being made in the Council's approach to performance management.
2. Agreed that a report (in the form of a route map) be taken to the September 2010 Audit Committee which identifies 3 or 4 key issues to take forward, a plan regarding taking these items forward and an appropriate timescale.

(Reference: Report by Head of Improvement and Strategic HR, submitted)

4. BEST VALUE REVIEW OF PROTECTIVE SERVICES AND LICENSING

Consideration was given to a report providing details of progress on the status of the Best Value Review of Protective Services and Licensing, as requested following the meeting of the Audit Committee on 11 December 2009.

Decision

1. Noted the endorsement of the Best Value Project Board on 8 June 2010 to suspend the implementation of that process;
2. Noted the transition from the Best Value Review of Protective Services and Licensing to the Service Review of Regulatory Services; and
3. Agreed to request a further update report be brought to the Audit Committee in September 2010.

(Reference: Report by Operations Manager – Trading Standards, submitted)

5. DRAFT STATEMENT OF GOVERNANCE AND INTERNAL CONTROL 2009 - 2010

A report outlining progress with Corporate Governance and presenting a Corporate Governance Improvement Plan and draft Joint Statement of Governance and Internal Control to accompany the 2009 – 2010 Annual Accounts was considered.

Decision

1. Noted the contents of the report;
2. Approved the Corporate Governance Improvement Plan; and
3. Approved the Draft Joint Statement of Governance and Internal Control subject to External Audit feedback.

(Reference: Report by Internal Audit Manager dated 31 May 2010, submitted)

6. PERFORMANCE MANAGEMENT INTERNAL AUDIT REPORT - UPDATE

The Audit Committee on 5 March 2010 received an internal audit report for Performance Management. The report contained three recommendations of

high importance and the Audit Committee requested that in respect of the first two recommendations a progress report be brought to the June Audit Committee which was now before the Committee before consideration.

Decision

Noted the contents of the report.

(Reference: Report by Internal Audit Manager, submitted)

7. INTERNAL AUDIT ANNUAL REPORT 2009 - 2010

Internal Audit has the responsibility to provide the Audit Committee an Annual Report that comments on the duties and audits carried out by the section throughout the financial year. The Annual Report for 2009 – 2010 was before the Committee for consideration.

Decision

1. Approved the Internal Annual Audit Report for 2009 – 2010.
2. Agreed to review the Performance Indicators as part of the Audit Committee "away day".

(Reference: Report by Internal Audit Manager dated 10 May 2010 and Internal Audit Annual Report 2009 - 2010, submitted)

8. ANNUAL REPORT BY AUDIT COMMITTEE 2009 - 2010

In compliance with the CIPFA Code of Practice for Internal Audit in Local Government a draft Annual Audit Committee report has been prepared for consideration. The report summarises the work of the Audit Committee during the year and outlines its view of the Council's internal control framework, risk management and governance arrangements.

Decision

1. Noted and approved the contents of the Annual Report by the Audit Committee for 2009 – 2010 for submission to the Council.
2. Agreed how to more specifically identify the Committee's achievements on the Council's systems and activities at the "away day."

(Reference: Report by Internal Audit Manager dated 12 May 2010 and Draft Annual Report by Audit Committee for the Financial Year 2009 – 2010, submitted)

9. UNAUDITED ANNUAL ACCOUNTS 2009 - 2010

The Committee considered a report on the Unaudited 2009 – 2010 Annual Accounts which had previously been considered by the Council on 24 June 2010.

Decision

Noted the unaudited 2009 – 2010 Annual Accounts.

(Reference: Report by Head of Strategic Finance dated 11 June 2010 and Unaudited Accounts for the Period 1 April 2009 to 31 March 2010, submitted)

10. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2009 - 2010

A report advising of the key messages of recently published reports by Audit Scotland entitled “Improving Public Sector Efficiency” and “An Overview of Local Government in Scotland 2009” was considered.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 14 May 2010, submitted)

11. NATIONAL FRAUD INITIATIVE 2008 - 2009 EXERCISE

In accordance with the Audit Committee annual work plan a report covering the National Fraud Initiative 2008 – 2009 exercise was presented to the March Audit Committee. Subsequently, Audit Scotland produced a national report in May 2010 entitled “National Fraud Initiative in Scotland – Making an Impact”. The report provided commentary on the 2008 – 2009 national fraud exercise involving 74 public bodies and a copy of the key findings along with Figure 6 of this report was before the Committee for consideration.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 17 May 2010, submitted)

12. ANTI FRAUD STRATEGY

A report updating the Committee on progress with the Council’s revised Anti Fraud Strategy was considered.

Decision

Noted the revised timescale for the updating of the Strategy and that an update would be brought to the September 2010 Audit Committee meeting.

(Reference: Report by Head of Governance and Law dated 18 June 2010, submitted)

13. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2010 - 2011

An interim progress report covering the audit work performed by Internal Audit as at 28 May 2010 was considered.

Decision

Approved the progress made with the Annual Audit Plan for 2010 – 2011.

(Reference: Report by Internal Audit Manager dated 31 May 2010, submitted)

14. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2010 - 2011 FROM MARCH 2010 MEETING

At the March 2010 meeting the Audit Committee requested that Internal Audit bring a separate report to the June 2010 meeting advising on the progress of 2 outstanding actions from Internal Audit reports. The actions related to the Review of Contract Hire & Operating Leases and the Review of Council & Committee Decision follow up reports. The Officers who were shown as responsible for the actions were asked to provide updates on the progress of the agreed actions and their responses were now before the Committee for consideration.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager, submitted)

15. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW 2010 - 2011

The Committee considered a report detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 31 May 2010.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager, submitted)

16. SERVICE REVIEW OF INTERNAL AUDIT

A report advising on progress with the Service Review of Internal Audit was considered.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 3 June 2010, submitted)

17. RISK MANAGEMENT

A report advising on progress with embedding Risk Management in the Council was considered.

Decision

Noted the terms of the report.

(Reference: Report by Head of Strategic Finance dated 18 June 2010, submitted)

18. EXTERNAL AUDIT ISSUED REPORTS 2010

A report introducing reports issued by Grant Thornton UK LLP, the Council's External Auditors, since the last Audit Committee was considered. The first report relates to the Audit of the Council's core financial systems, financial management and budgetary control arrangements and the Council's progress in implementing agreed recommendations from the prior year interim report. The second report provides a summary of progress of the external audit plan for the year ending 31 March 2010.

Decision

Noted the contents of the reports and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 17 June 2010 and reports by Grant Thornton UK LLP dated May 2010, submitted)

19. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - PROGRESS REPORT

Local Government Financial Statements are currently prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP). Over the last few years there has been a gradual convergence within Local Government Financial Statements to International Financial Reporting Standards (IFRS). The overall aim of CIPFA/LASACC was to achieve full compliance with IFRS within a reasonable timescale, possibly 2012/13. That timescale has been brought forward by the UK Government, and Local Government now has to achieve full compliance with IFRS in its Financial Statements for the year 2010/11.

A report advising on progress with work being carried out to ensure compliance with International Financial Reporting Standards in the 2010/2011 Financial Statements was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 9 June 2010, submitted)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for the following item of business on the grounds that they were likely to involve the disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

20. APPOINTMENT OF INDEPENDENT PERSON TO AUDIT COMMITTEE

The Committee considered 9 applications received for the vacancy on the Audit Committee.

Decision

Agreed to invite the following 5 candidates for interview on a date yet to be determined:-

M Caldwell
I Hepburn
E Large
G R Parry
K Skinner

(Reference: 9 applications, submitted)

Councillor Chalmers left the meeting at this point.

The Committee adjourned the meeting at 1.50pm and reconvened at 2.00pm.

21. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

A report detailing final reports, summaries and action plans (where applicable) from recent audits was considered.

Decision

Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-

- a. Review of Contract Management
- b. Review of Cleaners, Caterers & Janitorial Wages
- c. Review of Capital Accounting
- d. Review of Asset Management
- e. Review of Contract Hire and Operating Leases
- f. Review of Single Outcome Agreement **(The Committee also noted Councillor Nisbet's comments regarding his suggestion at another meeting that Transport Scotland should be included within the CPP)**
- g. Review of Adult Services
- h. Departmental Business Continuity Planning
- i. Budgetary Control
- j. Review of HR Activities – Health and Safety
- k. New Legislation
- l. Review of Data Protection
- m. Review of Capital Contracts Management

(Reference: Report by Internal Audit Manager dated 31 May 2010, submitted)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for the following item of business on the grounds that they were likely to involve the disclosure of exempt information as defined in Paragraph 14 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

22. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

A report detailing final reports, summaries and action plans (where applicable) from recent audits was considered.

Decision

Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-

Cash, Income and Banking 2009 - 2010
Payroll – Overtime Claims

(Reference: Report by Internal Audit Manager dated 31 May 2010, submitted)