

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 4 MARCH 2011**

Present: Mr Martin Caldwell (Chair)

Councillor Gordon Chalmers
Councillor George Freeman

Councillor David Kinniburgh
Councillor James Robb

Attending: Charles Reppke, Head of Governance and Law
Bruce West, Head of Strategic Finance
Jane Fowler, Head of Improvement and Strategic HR
Ian Nisbet, Internal Audit Manager
Lisa Bond, Strategic HR Officer
Stephen Vallely, Grant Thornton UK LLP

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Mr Ian M M Ross and Councillor Daniel Kelly.

2. DECLARATIONS OF INTEREST

Councillor Gordon Chalmers declared a non financial interest in respect of item 7 of this Minute (**Financial Security Regulations – Anti Fraud Strategy**). He left the room and took no part in the discussion of this item.

3. MINUTES

The Minutes of the Audit Committee meeting held on 10 December 2010 were approved as a correct record.

With reference to item 9 – Internal Audit Reports to Audit Committee 2010-2011 and the request for a further report on progress with the Scottish Government/European Leader Service Level Agreement 2010-11 to be brought to the Audit Committee in March 2011, it was noted that, at the request of the Vice Chair, Internal Audit were carrying out a short review of guidance to administrators in order to give greater reassurance to the Council in respect of liability and to ensure appropriate checks are suitably codified and that a report on this would be brought to a future meeting of the Audit Committee.

4. MANAGING ATTENDANCE 2009/10 AND 2010/11

Consideration was given to a report detailing the Council's sickness absence levels for the first three quarters of financial year 2010/11. Comparisons have been drawn where possible with the Council's absence levels in financial year 2009/10. An update on initiatives to manage attendance was also considered.

Decision

Noted the contents of the report and agreed that the next report to the Audit Committee in September 2011 should also include a breakdown of statistics on an area by area basis.

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

5. PLANNING AND PERFORMANCE MANAGEMENT UPDATE

The Council is making good progress in embedding performance management in service delivery. The Planning and Performance Management Framework (PPMF) sets the context for this and now requires to be updated. A report summarising some of the key areas of progress that the Council has made in implementing PPMF was considered.

Decision

1. Noted the progress being made on implementing PPMF; and
2. Agreed to a further report being brought to the Audit Committee detailing the revised PPMF.

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

6. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

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

Decision

1. Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-
 - a) Community Services - Review of Social Work Debtors
 - b) Community Services – Review of Workforce Protection
 - c) Customer Services – Review of Payroll
 - d) Chief Executive’s Unit – Review of External Partner Access
2. Agreed to the withdrawal of the report on the Review of Short Term Contracts and noted that this would be brought for consideration by the Audit Committee in June 2011.

(Reference: Report by Internal Audit Manager dated 6 February 2011, submitted)

Having previously declared an interest in the following item, Councillor Chalmers left the room and took no part in the discussion of the report.

7. FINANCIAL SECURITY REGULATIONS - ANTI FRAUD STRATEGY

Consideration was given to the Anti Fraud Strategy, an appendix to the Financial and Security Regulations which forms part of the Council’s Constitution. This Strategy was adopted by the Council at its meeting on 20 January 2011.

Decision

Noted the contents of the Anti Fraud Strategy.

(Reference: Report by Executive Director – Customer Services dated 2 November 2010, submitted)

Councillor Chalmers returned to the meeting.

8. NATIONAL FRAUD STRATEGY INITIATIVE (NFI) EXERCISE 2010 - 2011

The Audit Scotland report for the National Fraud Initiative (NFI) 2008/09 exercise listed Argyll and Bute Council as having scope to improve their process in investigating matches. A report highlighting that the NFI 2010/11 national exercise matches were released to the Council on 25 January 2011 was before the Committee for consideration. The investigation and reporting of NFI matches will need the co-operation and support of Officers in both Community and Customer Services and set out in the report was the approach and responsibilities required for the 2010/11 exercise.

Decision

Noted the contents of the report and that the Strategic Management Team will receive a monthly progress report regarding the investigation of NFI matches by the responsible Officers.

(Reference: Report by Internal Audit Manager dated 24 February 2011, submitted)

9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2010 - 2011

An interim progress report covering the audit work performed by Internal Audit as at 28 January 2011 was considered.

Decision

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

(Reference: Report by Internal Audit Manager dated 6 February 2011, submitted)

10. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2010 - 2011

Internal Audit document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. A report setting out the results from a review performed by Internal Audit for recommendations due to be implemented by 31 January 2011 was considered.

Decision

Noted and approved the contents of the report.

(Reference: Report by Internal Audit Manager dated 7 February 2011, submitted)

11. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2010 - 2011

A report advising of the key messages of three recently published reports by Audit Scotland entitled “An Overview of Local Government in Scotland 2010”, “The Cost of Public Sector Pensions in Scotland” and “The Need for Urgent Action to Tackle Road Maintenance” was considered.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit;
2. Agreed that a copy of the Audit Scotland report entitled “An Overview of Local Government in Scotland 2010” should be circulated to all Members of the Council for information; and
3. Noted that arrangements would be made to provide the Audit Committee with a copy of the current Roads Asset Management Plan and agreed that this should be placed on the Council’s website.

(Reference: Report by Internal Audit Manager dated 23 February 2011, submitted)

12. AUDIT COMMITTEE - AWAY DAY

The Audit Committee undertook an ‘Away Day’ on 21 January 2011. The objectives of the day were to undertake a self evaluation of the role and responsibilities of the Committee by its Members. This covered a review of the Committee Terms of Reference, the development of a training and work plan and evaluation of the annual performance indicators reported to the Committee by Internal Audit. In addition, the Committee was addressed by Grant Thornton on the future role of the Audit Committee. A report covering the day’s activities was before the Committee for consideration.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit; and
2. Agreed to recommend to the Council the adoption of revised Terms of Reference for the Audit Committee which reflect the changes requested by the Audit Committee at their ‘Away Day’.

(Reference: Report by Internal Audit Manager dated 24 February 2011, submitted)

13. STRATEGIC AUDIT PLAN 2011 - 2014

A report introducing the draft Strategic Audit Plan for 2011-2014 and Annual

Audit Plan for 2011-2012 was considered.

Decision

Approved the Strategic Audit Plan 2011-2014 and the Annual Audit Plan for 2011-2012.

(Reference: Report by Internal Audit Manager dated 23 February 2011, submitted)

14. RISK MANAGEMENT

A report outlining the progress being made with risk management was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 18 February 2011, submitted)

15. FINANCIAL STATEMENTS 2010 - 2011

A report advising on the plans in place for financial year end 31 March 2011 and the preparation of the Council's Financial Statements for 2010-11 was considered. 2010-2011 is the first year where the Financial Statements will be fully prepared in accordance with International Financial Reporting Standards (IFRS). Under the transitional arrangements the Financial Statements will include restated comparative figures for 2009-10 and a third balance sheet as at 1 April 2009.

Decision

Noted that plans are in place to prepare the Council's Financial Statements, consistent with the Accounting Code of Practice, and submit them to Council prior to 30 June 2011 in line with the Scottish Government's requirements.

(Reference: Report by Head of Strategic Finance dated 21 February 2011, submitted)

16. AUDIT PLAN 2010 - 2011

Grant Thornton UK LLP were appointed by the Accounts Commission for Scotland as the external auditor of Argyll and Bute Council for the five year period commencing 2006-2007. A memorandum outlining how they will approach the audit of the Council in the final year of their appointment, reflecting their statutory duties and risk based approach, was considered.

Decision

Noted the Audit Plan for 2010/11.

(Reference: Report by Grant Thornton UK LLP, submitted)