

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 24 JUNE 2011**

Present:

Mr Ian M M Ross (Chair)

Mr Martin Caldwell
Councillor George Freeman

Councillor Daniel Kelly

Attending:

Charles Reppke, Head of Governance and Law
Bruce West, Head of Strategic Finance
Ian Nisbet, Chief Internal Auditor
Gary Devlin, Grant Thornton UK LLP
Angus Gilmour, Head of Planning and Regulatory Services (for
item 4)
Alan Morrison, Regulatory Services Manager (for item 4)

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Gordon Chalmers, David Kinniburgh and James Robb.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

The Minutes of the Audit Committee meeting held on 4 March 2011 were approved as a correct record.

4. IMPLEMENTATION OF SERVICE REVIEW OF REGULATORY SERVICES

A report advising of progress with the implementation phase of the Service Review for Regulatory Services was considered.

Decision

1. Noted the progress of the implementation phase of the Service Review, particularly the focus on re-instating front line staff which will address previous concerns expressed by Members of the Audit Committee in relation to maintaining delivery of the Council's statutory duties; and
2. Agreed to request that a brief progress report be brought to the Audit Committee meeting in December 2011 followed by a fuller update brought to the Audit Committee meeting in June 2012.

(Reference: Report by Executive Director – Development and Infrastructure Services submitted)

5. STRATEGIC AUDIT PLAN 2011 - 2014

At its meeting on 4 March 2011 the Audit Committee considered the Strategic Audit Plan for 2011 – 2014 and Annual Audit Plan for 2011 – 2012. These plans provided an overview of the risk assessment process undertaken, detailed the core Financial Systems audits and outlined the allocation of audit days for the remaining sections of both plans. Having approved both Plans, the Committee requested that detailed analysis of the remaining sections be reported to the June Audit Committee. A report providing this information was before the Committee for consideration.

Decision

Noted the contents of the report.

(Reference: Report by Chief Internal Auditor, submitted)

6. INTERNAL AUDIT ANNUAL REPORT 2010 - 2011

Internal Audit has the responsibility to provide the Audit Committee with an Annual report that comments on the duties and audits carried out by the section throughout the financial year. The Annual Report for 2010 – 2011 was before the Committee for consideration.

Decision

Approved the Internal Audit Annual Report for 2010 – 2011.

(Reference: Report by Chief Internal Auditor dated 10 June 2011, submitted)

7. ANNUAL REPORT BY AUDIT COMMITTEE 2010 - 2011

A report summarising the work of the Audit Committee during 2010 – 2011 and outlining its view of the Council's internal control framework, risk management and governance arrangements was considered.

Decision

Noted and approved the contents of the latest draft of the Audit Committee Annual report for 2010 - 2011.

(Reference: Report by Chief Internal Auditor dated 30 May 2011, submitted)

8. CORPORATE GOVERNANCE IMPROVEMENT PLAN

A report detailing the Corporate Governance Improvement Plan and draft Joint Statement of Governance and Internal Control to accompany the 2010 – 2011 Annual Accounts was considered.

Decision

1. Noted the contents of the report; and

2. Approved the Corporate Governance Improvement Plan.

(Reference: Joint report by Executive Director – Customer Services and Head of Strategic Finance, submitted)

9. UNAUDITED ACCOUNTS 2010 - 2011

The Committee considered a report on the Unaudited 2010 – 2011 Annual Accounts which had previously been considered by the Council on 23 June 2011.

Decision

1. Noted the unaudited 2010 – 2011 Annual Accounts;
2. Noted the revised Remuneration report tabled at the meeting; and
3. Noted that clarification would be sought on whether or not there existed a Common Good Fund for Helensburgh.

(Reference: Report by Head of Strategic Finance dated 15 June 2011 and Unaudited Accounts for the Period 1 April 2010 to 31 March 2011, submitted and Revised Remuneration Report, tabled)

10. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2011 - 2012

An interim progress report covering the audit work performed by Internal Audit as at 27 May 2011 was considered.

Decision

Approved the progress made with the Annual Audit Plan for 2011 – 2012.

(Reference: Report by Chief Internal Auditor dated 10 June 2011, submitted)

11. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2011 - 2012

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 May 2011 was considered.

Decision

Noted and approved the contents of the report.

(Reference: Report by Chief Internal Auditor dated 10 June 2011, submitted)

12. 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) Customer Services – Review of New Legislation
- b) Community Services – Review of Occupational Health Contract
- c) Customer Services – Review of ICO Follow Up
- d) Chief Executive's – Review of Community Engagement
- e) Customer Services – Review of Following the Public Pound
- f) Chief Executive's – Review of Community Planning Partnerships
- g) Chief Executive's – Review of Health and Safety
- h) Strategic Finance – Review of General Ledger Operations
- i) Customer Services – Review of Asset Management
- j) Strategic Finance – Review of Budget Monitoring
- k) Improvement and HR – Review of OD Learning and Development
- l) Strategic Finance – Review of Risk Management
- m) Chief Executive's - Equality
- n) Strategic Finance – Review of Treasury Management
- o) Community Services – Review of Business Continuity Planning
- p) Chief Executive's – Disciplinary and Grievance Procedures
- q) Customer Services – Review of Printing and Design
- r) Development and Infrastructure Services – Review of Argyll Air Services
- s) Review of Year End Stock
- t) Facility Services – Review of Sustainability
- u) Chief Executive's - Review of Car Allowances
- v) Community Services - Review of Short Term Contracts

(Reference: Report by Chief Internal Auditor, submitted)

13. INTERIM MANAGEMENT REPORT

The Council is required to have arrangements in place to ensure propriety, regularity and best value in its stewardship of public funds. It is the responsibility of management to establish adequate systems of internal control to ensure that resources are applied to the activities intended, fraud is prevented and detected, and resources used economically, efficiently and effectively.

As part of their interim audit, the Council's External Auditors have reviewed the effectiveness of the Council's core financial systems and financial management and budgetary control arrangements. In addition, they followed up the Council's progress in implementing recommendations agreed in their prior interim report.

A report advising of the key findings of this review and action plan 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 Grant Thornton UK LLP, External Auditor dated June 2011, submitted)

14. REVIEW OF ARRANGEMENTS FOR INTERNATIONAL FINANCIAL REPORTING STANDARDS

Local Authorities are required to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). From 2010/11 this Code will be based in International Financial Reporting Standards (IFRS) rather than a UK GAAP based Statement of Recommended Practice (SORP). The Code requires a restated balance sheet at 1 April 2009, restated 2009 - 2010 accounts and full published IFRS accounts for 2010 - 2011.

Consideration was given to a report which detailed the findings of an arrangement review carried out by the Council's External Auditors. The review provided feedback on the Council's approach to restatement and was not an audit of the restated balance sheet figures. Detailed work on the restated figures will take place during the 2010 - 2011 final accounts audit.

Decision

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

(Reference: Report by Grant Thornton UK LLP, External Auditor dated April 2011, submitted)

15. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2011-2012

A report advising of a recently published report by Audit Scotland entitled "National Scrutiny Plan for Local Government 2011/12" was considered.

Decision

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

(Reference: Report by Chief Internal Auditor dated 30 May 2011, submitted)

16. NATIONAL FRAUD INITIATIVE (NFI) - NATIONAL EXERCISE 2010 - 2011

Audit Scotland reported in their National Fraud Initiative (NFI) 2008/09 report that Argyll and Bute Council had scope to improve their process in investigating matches. A report detailing progress being made by the Council with the NFI 2010 – 2011 national exercise matches was considered.

Decision

Noted the contents of the report and that the Strategic Management Team are receiving monthly progress reports regarding the investigation of NFI matches by the responsible Officers.

(Reference: Report by Chief Internal Auditor, submitted)

17. ANTI FRAUD STRATEGY

A report advising on future reporting to the Audit Committee of fraud activity was considered.

Decision

Noted the contents of the report.

(Reference: Report by Executive Director – Customer Services dated 17 June 2011, submitted)

18. RISK MANAGEMENT

A report updating the Committee on current progress in relation to the development of risk management was considered.

Decision

Noted the terms of this report.

(Reference: Report by Head of Strategic Finance dated 15 June 2011, submitted)

19. ASSURANCE AND IMPROVEMENT PLAN 2011 - 2014

Consideration was given to a report advising on the completion of the annual Shared Risk Assessment review of the Council by the Local Area Network of external scrutiny bodies and its update of the Assurance and Improvement Plan. The Plan outlines the current level of risk within the Council and sets out proposed external scrutiny for a rolling three year period.

Decision

Noted the contents of the report.

(Reference: Report by Chief Internal Auditor dated 10 June 2011, submitted)