

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 9 DECEMBER 2011**

Present:

Mr Ian M M Ross (Chair)

Mr Martin Caldwell
Councillor David Kinniburgh

Councillor James Robb

Attending:

Charles Reppke, Head of Governance and Law
Bruce West, Head of Strategic Finance
Sandy Mactaggart, Executive Director – Development and
Infrastructure Services
Jane Fowler, Head of Improvement and Strategic HR
Alan Morrison, Regulatory Services Manager
Ross McLaughlin, Development Manager
Ian Nisbet, Chief Internal Auditor
Kirsty Flanagan, Finance Manager

Prior to consideration of business it was noted that the meeting was inquorate. It was considered that this was maybe due to the inclement weather and it was agreed to proceed with the meeting and that any decisions made could be endorsed once other of the Members of the Committee joined the meeting. In the event that no further Members joined the meeting it was agreed that any decisions made could be endorsed at the next meeting of the Audit Committee.

The Chair ruled, and the Committee agreed, to vary the order of business to allow Officers to leave the meeting early and attend to other business.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Gordon Chalmers, George Freeman and Daniel Kelly.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

The Minutes of the Audit Committee meeting held on 16 September 2011 were noted.

4. ARGYLL AIR SERVICES

A report providing an update on progress with Argyll Air Services with regarding to the development of a sustainable Business Plan, associated Implementation Plan and the procurement of future PSO flights and airport management and operations was considered.

Decision

Noted the contents of the report and the progress made over the last 12 months in the management of Argyll Air Services.

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

Councillor David Kinniburgh joined the meeting at 11.30 am during discussion of the foregoing item.

5. PERFORMANCE MANAGEMENT QUARTERLY UPDATE

A report updating the Committee on the progress being made on managing performance across the Council, related to the key elements of the Planning and Performance Management Framework was considered.

Decision

Noted the progress being made in relation to performance management and improvement across the Council.

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

Councillor James Robb joined the meeting at 11.40 am during discussion of the foregoing item.

6. IMPLEMENTATION OF THE REGULATORY SERVICES SERVICE REVIEW

A report providing an update on progress with the implementation of the service review for Regulatory Services was considered.

Decision

1. Noted the progress being made in implementing the service review within Regulatory Services and the commitment of management and staff to deliver change; and
2. Noted that a more detailed report will be prepared for the Audit Committee in June 2012.

(Reference: Report by Regulatory Services Manager dated November 2011, submitted)

7. EXTERNAL AUDITORS

A report updating the Committee on the change of external auditors was considered.

Decision

Noted that the appointment of Grant Thornton as the Council's external auditor has come to an end and that the Accounts Commission have appointed Audit Scotland as the Council's external auditor for the period to 2015-16.

(Reference: Report by Head of Strategic Finance dated 1 December 2011, submitted)

8. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2011 - 2012

An interim progress report covering the audit work performed by Internal Audit as at 11 November 2011 was considered.

Decision

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

(Reference: Report by Chief Internal Auditor dated 11 November 2011, submitted)

9. EXTERNAL AND 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 detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 31 October 2011 was considered.

Decision

Noted and approved the contents of the report and the updated information provided in amended Appendices 1 and 2 which were tabled at the meeting.

(Reference: Report by Chief Internal Auditor dated 8 November 2011, submitted and Amended Appendices 1 and 2, tabled)

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

A report advising of recently published reports by Audit Scotland entitled "Scotland's public finances; addressing the challenges" and "Modernising the planning system" along with management responses to these was considered.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit; and
2. Agreed that it would be beneficial if a weighting was applied to the information contained within the checklists appended to the Audit Scotland reports and noted that the Head of Strategic Finance would raise this with Audit Scotland.

(Reference: Report by Chief Internal Auditor dated 2 November 2011, submitted)

11. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2011 - 2012

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) Customer Services – Review of Payroll
 - (b) Development and Infrastructure Services – LEADER funding
 - (c) Community Services – Review of Debtors Accounts – Direct Payments
 - (d) Customer Services, Customer & Support Services – Review of Procurement
 - (e) Development and Infrastructure Services – Review of Fish Landing Dues and Other Harbour Income.
2. Noted the update provided by Head of Adult Care advising on what action is being taken to resolve the issues outlined in the Review of Debtors Accounts – Direct Payments report and agreed that the Head of Adult Care should attend the March Audit Committee to advise on progress if any of these issues remain outstanding at that time.

(Reference: Report by Chief Internal Auditor dated 15 November 2011, submitted)

* **12. INTERNAL AUDIT - TERMS OF REFERENCE**

Grant Thornton reviewed aspects of the Council's governance arrangements and issued an interim report dated 6 June 2011. They requested the updating of the Council Constitution, Terms of Reference for Internal Audit and the Internal Audit Manual, to reflect the recent appointment of a Chief Internal Auditor. A report presenting revised Terms of Reference for Internal Audit which reflects the change requested by Grant Thornton in respect of the appointment of a Chief Internal Auditor was considered.

Decision

1. Noted and approved the contents of the report;
2. Agreed to recommend to the Council approval of the revised Terms of Reference for Internal Audit to reflect the change requested by Grant Thornton in respect of the appointment of a Chief Internal Auditor;
3. Noted that the Internal Audit Manual has also been amended accordingly; and
4. Noted that the updating of the Council Constitution is undertaken by Customer Services – Governance and Law.

(Reference: Report by Chief Internal Auditor dated 15 November 2011, submitted)

13. CORPORATE PERFORMANCE AUDITS

A report covering the work undertaken by Internal Audit in respect of Corporate Performance Audits 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 15 November 2011, submitted)

14. NATIONAL FRAUD INITIATIVE (NFI) - NATIONAL EXERCISE 2010/11

A report providing the current position of National Fraud Initiative match investigations as at 8 November 2011 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, submitted)

15. FINANCIAL RISK ANALYSIS

A report summarising the outcome of a review of the financial risks related to the budget process was considered. The report outlines the process and approach to carrying out the analysis and summarises the main risks.

Decision

Noted the key financial risks which will be monitored on an ongoing basis as part of budget monitoring.

(Reference: Report by Head of Strategic Finance dated 30 November 2011, submitted)

16. RISK MANAGEMENT UPDATE

A report updating the Committee on progress and issues relating to risk management was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 9 December 2011, submitted)

17. AUDITED ACCOUNTS 2010/2011 AND EXTERNAL AUDIT REPORT

The external auditors, Grant Thornton UK LLP, have completed their audit of the Council's accounts for the year to 31 March 2011. The audited accounts incorporating the audit certificate and the external audit report for 2010-2011 were considered by the Council on 24 November 2011 and were now before the Audit Committee for consideration. The audit certificate contains no qualifications and the external audit report highlights key issues for the attention of Members.

Decision

Noted the audited accounts, the terms of the audit certificate and the external audit report and that the Audit Committee will monitor the action plans agreed in response to individual audit reports that have been issued during the year.

(Reference: Report by Head of Strategic Finance dated 3 November 2011, 2010-2011 Annual Accounts and Report on the 2010-2011 Audit by Grant Thornton UK LLP dated 31 October 2011, submitted)

18. AUDIT ASSURANCE ON TREASURY MANAGEMENT

A report setting out information around the arrangements in place relating to management controls and risk for treasury management was considered. Its purpose is to provide assurance to the Committee that appropriate arrangements are in place.

Decision

Noted the contents of the report which will be reported annually to the Audit Committee.

(Reference: Report by Head of Strategic Finance dated 17 November 2011, submitted)

19. SERVICE REVIEW OF INTERNAL AUDIT

A report summarising the outcome of a review and the preferred option for future delivery of Internal Audit was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 1 December 2011, submitted)

Having established that the meeting was quorate from item 4 onwards, the Chair sought agreement from the Committee that the Minutes of the Audit Committee of 16 September 2011 were a correct record and these were subsequently approved.