

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 21 JUNE 2013**

**Present:** Martin Caldwell (Chair)

Sheila Hill (vice-chair)  
Councillor Gordon Blair  
Councillor Duncan MacIntyre  
Councillor Aileen Morton

**Attending:** Charles Reppke, Head of Governance and Law  
Bruce West, Head of Strategic Finance  
Jane Fowler, Head of Improvement and HR  
Tricia O'Neill, Central Governance Manager  
Ian Nisbet, Chief Internal Auditor  
Russel Smith, Audit Scotland

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were intimated from Councillors Corry and MacDonald.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. MINUTES**

The Minutes of the Audit Committee of 15 March 2013 were approved as a correct record.

**4. PERFORMANCE MANAGEMENT REPORTING**

A report outlining options for the Audit Committee to consider regarding scrutiny of the council's performance management processes and procedures was considered.

**Decision**

The Committee agreed to all the options detailed at paragraphs 3.5 – 3.8 of the report and adopted these as a framework to support scrutiny.

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

**5. ASSURANCE AND IMPROVEMENT PLAN 2013 - 2016**

The Local Area Network of external scrutiny bodies has recently completed its annual Shared Risk Assessment review of the Council and updated the Assurance and Improvement Plan. The Plan outlines the current level of audit and inspection risk within the Council and sets out the level of proposed external scrutiny for a rolling three year period. A copy of the updated Assurance and

Improvement Plan which was previously presented to the Council on 23 May 2013 was before the Committee for consideration.

### **Decision**

1. Noted the annual Assurance and Improvement Plan update and, in particular, the positive comments on the Council's improvement progress and continuing low risk, particularly in roads and transportation where the risk has reduced to no scrutiny required, and
2. Noted that plans to address areas identified as requiring scrutiny or further information will be developed.
3. Looked forward to providing evidence in the coming year that the Council continues to develop a strategic response to the long term financial challenges it faces.

(Reference: Report by Chief Executive dated 21 June 2013, submitted)

## **6. REVIEW OF CODE OF CORPORATE GOVERNANCE**

A report detailing the process by which the Council will review the content of the local Code of Corporate Governance to ensure that it remains fit for purpose and the content reflects the current position within the Council was considered.

### **Decision**

1. Noted the content of the report including the proposals for more risk management training for Elected Members,
2. Approved the revised Code of Corporate Governance for 2012/13,
3. Approved the Action Plan for 2013/14, and
4. Approved the draft statement of governance and internal control for 2012/13.

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

## **7. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2012 - 2013**

A report advising of recently published reports by Audit Scotland was before the Committee for consideration along with management responses where applicable.

### **Decision**

1. Noted the contents of the report,
2. Noted that in future the full Audit Scotland National Reports will be issued to Audit Committee Members as they are published and advising at which Audit Committee meeting they will be discussed. A summary of these reports will

be included in future agenda packs along with management responses where applicable,

3. Noted that in the Audit Scotland report "Major Capital investments in Councils" reference was made in the Action Plan to training in capital investment issues and that this was to be included in the forthcoming member development programme and agreed that the Head of Strategic Finance would bring back a report in December 2013 on how to report outcomes openly and transparently without compromising commercial sensitivity,
4. Noted that in the Audit Scotland report "Responding to Challenges and Change" Appendix 1 was a schedule of action points for Councillors and agreed that this report and these action points would be brought to the attention of the Council to be addressed under the forthcoming member development programme,
5. Noted that an Audit Scotland report entitled "Maintaining Scotland's Roads" will come to the Audit Committee in September 2013 along with a management response from the Head of Roads and Amenity Services,
6. Noted that a further management report will be brought to the Audit Committee in September 2013 in respect of progress in relation to the two Audit Scotland National Reports on Health Inequalities and Improving Community Planning, and
7. Noted that a report regarding SOLACE benchmarking would be going to the Strategic Management Team and agreed to request an update on progress from the Head of Improvement and HR in December 2013.

(Reference: Report by Chief Internal Auditor dated 13 June 2013 and reports by Audit Scotland entitled "Major Capital Investment in Councils" dated March 2013, "Responding to challenges and change" dated March 2013, "National Scrutiny Plan for Local Government 2013/14", "Managing early departures from the Scottish public sector" dated May 2013 and "Improving community planning in Scotland" dated March 2013, submitted)

The Chair adjourned the meeting at 1.00pm and re-convened at 1.10pm.

## **8. INTERNAL AUDIT ANNUAL REPORT 2012 - 2013**

Internal Audit has the responsibility of providing the Audit Committee with an Annual Report that comments on the duties and audits undertaken by the section throughout the financial year. The annual Internal Audit report and the allocation of expended audit days for 2012 – 2013 was before the Committee for consideration.

### **Decision**

Approved the Internal Annual Audit Report for 2012 – 2013.

(Reference: Report by Chief Internal Auditor dated 11 June 2013, submitted)

## **9. ANNUAL REPORT BY AUDIT COMMITTEE 2012 - 2013**

In compliance with the CIPFA Code of Practice for Internal Audit in Local Government (the Code) a draft annual Audit Committee report has been prepared. The report from the Chairman and Vice Chair summaries 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 and was before the Committee for consideration.

### **Decision**

Noted and approved the contents of the report and appendix including revisions to the Audit Committee Terms of Reference for submission to the Council with the addition of a bullet point under Key Activities "In addition, the Committee will submit highlight reports to the Council as appropriate".

(Reference: Report by Chief Internal Auditor dated 23 May 2013, Draft Annual Report by Audit Committee 2012 – 2013 and Amended Audit Committee Terms of Reference 2013 - 2014, submitted)

## **10. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2013 - 2014**

An interim progress report covering the audit work performed by Internal Audit as at 24 May 2013 was considered.

### **Decision**

Approved the progress made with the Annual Audit Plan for 2013 – 2014.

(Reference: Report by Chief Internal Auditor dated 29 May 2013, submitted)

## **11. EXTERNAL AND INTERNAL REPORT FOLLOW UP 2012 - 2013**

Internal Audit documents 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 30 April 2013 was considered.

### **Decision**

Noted and approved the contents of the report.

(Reference: Report by Chief Internal Auditor dated 11 June 2013, submitted)

## **12. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2012 - 2013 & 2013 - 2014**

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) Chief Executive's Unit – Revenue Budget Monitoring and Control
- (b) Chief Executives – Improvement & HR – Review of Payroll
- (c) Chief Executive's Unit, Improvement and HR – Review of Resourcelink
- (d) Customer and Support Services – Unified Benefits, Department of Work and Pensions Guidance, Counter Fraud Compliance
- (e) Revenues Team – Review of Income: Council Tax
- (f) Revenues Team – Review of Income: Non-Domestic Rates
- (g) Customer and Support Services – Review of Income – Cash/Revenues Team
- (h) Review of Year-End Stock

(Reference: Report by Chief Internal Auditor dated 7 June 2013, submitted)

### **13. NATIONAL FRAUD INITIATIVE (NFI) - NATIONAL EXERCISE 2012/13**

A report providing the current position regarding the Accounts Commission – Audit Scotland NFI exercise for 2012/13 was considered.

#### **Decision**

Noted the contents of the report which will be followed up by Internal Audit.

(Reference: Report by Chief Internal Auditor, submitted)

### **14. STRATEGIC RISK MANAGEMENT UPDATE**

A reporting setting out options for consideration on how the Audit Committee can use the Strategic Risk Register and risk management to discharge its role was considered along with an update on risk management activity. The report asked the Committee to review these options and agree a way forward which officers can develop in more detail for September. It also asked the Committee to consider how it would like risk management to be reported to it in the future.

A report setting out the updated Strategic Risk Register was also before the Committee for consideration and Members were asked to note this and provide any comments for consideration at the Council on 27 June 2013.

#### **Decision**

1. The Audit Committee welcomed and endorsed the proposals as outlined at sections 3.14 – 3.15 and 3.21 of the submitted report.
2. The Audit Committee noted the progress updates in the summary of risk management activity as outlined in report.
3. The Audit Committee noted with approval the updated Strategic Risk Register and looked forward to receiving further evidence of the Council aligning its programmes and priorities with those identified in the updated register.

(Ref: Reports by Head of Strategic Finance dated 14 and 17 June 2013,

submitted)

**15. UNAUDITED ACCOUNTS 2012 - 2013**

The Committee considered a report on the unaudited 2012 – 2013 Annual Accounts which will be presented to the Council on 27 June 2013.

**Decision**

Noted the unaudited 2012 – 2013 Annual Accounts.

(Reference: Report by Head of Strategic Finance and Unaudited Accounts for the period 1 April 2012 – 31 March 2013, submitted)

**16. REVIEW OF ADEQUACY OF THE INTERNAL AUDIT SERVICE 2012/2013**

Audit Scotland's Code of Audit Practice (the Code) sets out the wider dimension of public sector audit. The Code requires external auditors to carry out an annual assessment of the adequacy of the internal audit function. A report advising of completion of this annual assessment and the areas of internal audit work that Audit Scotland plan to review was considered.

**Decision**

Noted the contents of the report which will be followed up by Internal Audit.

(Reference: Letter from Audit Scotland dated 4 March 2013, submitted)