

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 14 MARCH 2014**

Present: Martin Caldwell (Chair)
Councillor Fred Hall Sheila Hill

Attending: Bruce West, Head of Strategic Finance
Tricia O'Neill, Central Governance Manager
Grace Scanlon, Grant Thornton
David Jamieson, Audit Scotland
Russell Smith, Audit Scotland

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Gordon Blair, Maurice Corry and Iain Angus MacDonald.

2. DECLARATIONS OF INTEREST

Martin Caldwell declared a non financial interest in the LEADER Funding Internal Audit Report as he was a member of a voluntary organisation which had previously benefited from LEADER funding. It was agreed that Sheila Hill would take the Chair when Mr Caldwell left the room during discussion of this report which is dealt with at item 10 of this Minute. As the meeting would be inquorate at this point it was agreed that any decisions taken in respect of this report would be ratified at the next Audit Committee in June 2014.

3. MINUTES

The Minutes of the Audit Committee of 13 December 2013 were approved as a correct record.

With reference to item 11 – Internal Audit Charter, it was agreed that arrangements be made to circulate a copy of this Charter to the new Members of the Audit Committee.

4. MONITORING OF STRATEGIC RISK REGISTER

A report updating the Committee on the key strategic risks facing the Council and the associated mitigating actions and changes in these risks was considered.

Decision

1. Noted the content of the report and further noted that the Strategic Risk Register will be subject to a challenge review process at a Strategic Management Team development meeting; and

2. With reference to the review questions listed at paragraph 3.6 of the report, it was agreed that a question regarding risk appetite should be included as part of the review.

(Reference: Report by Head of Strategic Finance dated 10 March 2014, submitted)

5. PROGRESS WITH SINGLE OUTCOME AGREEMENT/ADDRESSING KEY STRATEGIC RISKS

A report providing information on the action being taken by the Council in relation to the red risk in the Strategic Risk Register around population and economic decline was considered.

Decision

1. Noted the terms of the report; and
2. Noted that the wording at each sub section of paragraph 5 Implications should read “none – report for noting”.

(Reference: Report by Head of Strategic Finance dated 7 March 2014, submitted)

6. POST COMPLETION REVIEWS - CAPITAL PROJECTS

The Audit Committee in June 2013 asked for a report to be brought forward that set out how the Council could report openly and transparently on the outcome of capital projects without compromising commercial sensitivity. A report setting out the arrangements for reporting on post completion reviews for capital projects was before the Committee for consideration.

Decision

Noted the terms of the report.

(Reference: Report by Head of Strategic Finance dated 7 March 2014, submitted)

7. AUDIT SCOTLAND NATIONAL REPORTS

A report setting out a revised approach for submitting Audit Scotland National reports to the Audit Committee was considered.

Decision

Agreed the revised approach to dealing with Audit Scotland National Reports subject to the following amendments:-

Paragraph 3.3.3 – the last sentence to be amended to read “A period of 3 weeks allowed for lead managers to complete this. + 4 weeks”

Paragraph 3.3.4 – the last sentence to be amended to read “This to be completed within 1 week of receipt of completed management comments/assessment”.

Paragraph 3.4 – third line to read “Members – To be aware of Audit Scotland findings”.

(Reference: Report by Head of Strategic Finance dated 7 March 2014, submitted)

8. FINANCIAL STATEMENTS 2013 - 2014

A report advising the Committee on the plans in place for financial year end 31 March 2014 and the preparation of the Council’s Financial Statements for 2013/14 was considered.

Decision

Noted that plans are in place to ensure the Council’s Financial Statements are prepared in compliance with the Accounting Code of Practice and submitted to the Council prior to 30 June 2014.

(Reference: Report by Head of Strategic Finance dated 7 March 2014, submitted)

9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2013 - 2014

A report covering the audit work performed by Internal Audit as at 21 February 2014 was considered.

Decision

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

(Reference: Report by Head of Strategic Finance dated 7 March 2014, submitted)

Having previously declared an interest in the LEADER Funding report considered as part of the following item, Martin Caldwell left the room during discussion of this report and Sheila Hill took the Chair.

Martin Caldwell returned to the meeting following consideration of the LEADER Funding report and resumed the Chair.

10. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 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 which will be followed up by Internal Audit:-

- (a) LEADER Funding – Annual Certification
- (b) Customer Services – Catering Review
- (c) FLAG – Annual Certification

(Reference: Report by Internal Audit dated 19 February 2014, submitted)

11. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2013 - 2014

Internal Audit documents progress made by departmental management in implementing the recommendations made by both External and Internal Audit. A report detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 31 January 2014 was considered.

Decision

1. Noted and approved the contents of the report; and
2. Noted that the Review of the Council Ledger would now be the end of March 2014.

(Reference: Report by Internal Audit dated 17 February 2014, submitted)

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

Audit Scotland carries out data matching and arranges for this to be carried out under 26A of the Public Finance and Accountability (Scotland) Act 2000. A report providing the current position regarding the Audit Scotland NFI exercise for 2012/13 and detailing the steps recently taken by Internal Audit and services for the NFI referral matching exercise that commenced in January 2013 was considered.

Decision

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

(Reference: Report by Head of Strategic Finance dated 7 March 2014, submitted)

13. UPDATE ON INTERNAL AUDIT DEVELOPMENT PLAN

A report highlighting further progress made against the improvements identified as a result of the Internal Audit Review against the Public Sector Internal Audit Standards was considered.

Decision

Noted progress made in completion of the improvement plan.

(Reference: Report by Internal Audit dated 14 March 2014, submitted)

14. ANNUAL AUDIT PLAN 2014/15 - DRAFT

A report introducing the draft Annual Audit Plan for 2014/15 was considered.

Decision

1. Noted the draft Annual Audit Plan for 2014/15;
2. Noted that it is proposed to use the draft Annual Audit Plan as a working draft with further comments sought from management and the Audit Committee before the report is finalised in June 2014;
3. Noted the proposed performance measures and that comments will be sought from management and the Audit Committee with a further report brought to the Audit Committee in June 2014; and
4. Agreed that when the programme is issued for the Audit Committee Development Day it should be re-enforced to Members the importance of this Draft Plan which will be a focus of the Development Day.

(Reference: Report by Head of Strategic Finance dated 10 March 2014, submitted)

15. EXTERNAL AUDIT PLAN

A report summarising Audit Scotland's assessment of the key challenges and risks facing Argyll and Bute Council and setting out the audit work they propose to undertake covering the period 2013/14 was considered.

Decision

Noted the contents of the report.

(Reference: Report by Audit Scotland dated March 2014, submitted)

16. AUDIT COMMITTEE DEVELOPMENT DAY

A report setting out proposals on the content for the Audit Committee Development Day and also seeking views from Members on when to have the development day was considered.

Decision

1. Noted the content of the proposed agenda for the Audit Committee Development Day and suggested amendments which were taken on board by the Head of Strategic Finance and Internal Audit;
2. Agreed to invite Audit Scotland and the Internal Audit Team to participate in the Development Day; and

3. Noted that confirmation of the date of the Development Day will be advised in due course.

(Reference: Report by Head of Strategic Finance dated 3 March 2014, submitted)