

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 27 JUNE 2014**

Present: Martin Caldwell (Chair)

Councillor Gordon Blair	Councillor Iain MacDonald
Councillor Michael Breslin	Councillor Richard Trail
Councillor Maurice Corry	Sheila Hill

Attending: Sally Loudon, Chief Executive
Bruce West, Head of Strategic Finance
Iain Jackson, Governance and Risk Manager
Kevin Anderson, Chief Internal Auditor
Russell Smith, Audit Scotland
Grace Scanlon, Grant Thornton

The Chair welcomed the two new Members of the Audit Committee and the new Chief Internal Auditor to their first meeting of the Audit Committee.

The Chair ruled and the Committee agreed to vary the order of business and consider the report on the Review of Code of Corporate Governance before the report on the 2013/ 2014 Unaudited Financial Statements to allow the Chief Executive to make comment on this report before she left the meeting.

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The Minutes of the Audit Committee of 14 March 2014 were approved as a correct record.

4. UPDATE ON AUDIT SCOTLAND REPORTS - COMMUNITY PLANNING AND HEALTH INEQUALITIES

Consideration was given to a report which provided an update on progress of the Community Planning Partnership in relation to two Audit Scotland National Reports on Improving Community Planning and Health Inequalities in Scotland.

Decision

1. Noted and agreed that the update of progress detailed at paragraph 4.2 of the report satisfied the requirements of the Action Plan following the national reports and quality assurance process; and
2. Noted that the Council approved the Single Outcome Agreement Development Plan on 26 June 2014.

(Reference: Report by Executive Director – Community Services dated 28 May 2014, submitted)

5. RISK MANAGEMENT AND AUDIT

A report setting out a summary of the key issues/developments in relation to risk management and related activities around internal and external audit was considered. The report set out how the Chief Executive has oversight of these areas and also set down some of the important developments over the last year.

Decision

Noted the terms of the report and the update provided by the Chief Executive.

(Reference: Report by Chief Executive dated 15 June 2014, submitted)

6. STRATEGIC RISK REGISTER UPDATE

Consideration was given to a report which had also been submitted to the Performance Review and Scrutiny Committee and which updated Members in relation to progress in developing the Council's Strategic Risk Register. The Strategic Risk Register is updated on a live basis and will be formally reviewed twice yearly, in August (post year end) and in February as part of the budget setting process. This report gave a progress update together with outline detail of amendments made including scoring, narrative, ordering and formatting and it also showed Risks added to and deleted from the Strategic Risk Register.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 19 May 2014, submitted)

7. REVIEW OF CODE OF CORPORATE GOVERNANCE

A report detailing the process by which the Council reviews 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;
2. Approved the revised Code of Corporate Governance for 2013/14;
3. Approved the Action Plan for 2014/15;
4. Approved the draft statement of Governance and Internal Control for 2013/14; and
5. Noted that at the next review of the Code the Governance and Risk Manager would advise the Governance Group of the Committee's request that consideration be given to amending the third core principle to include a reference to high ethical standards.

(Reference: Joint report by Chief Executive and Executive Director – Customer Services dated 18 June 2014, submitted)

8. 2013 - 2014 UNAUDITED FINANCIAL STATEMENTS

A report giving an overview of the financial statements for 2013-14 and a summary of the significant movements from 2012-13 along with information on the revenue outturn for 2013-14 was considered.

Decision

1. Noted the unaudited accounts for 2013-14 which were presented to the Council on 26 June 2014; and
2. Noted that the Head of Strategic Finance would advise the Head of Customer and Support Services of Councillor Corry's request for clarification on the Council policy on Non Domestic Rates refunds.

(Reference: Report by Head of Strategic Finance dated 18 June 2014, submitted)

9. EMPLOYMENT TAX RISK REVIEW

The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. A report outlining any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk was considered.

Decision

1. Noted the contents of the report and that further updates will be provided once all action points were complete;
2. Noted that KPMG have been asked to bring forward options for the Council to consider in respect of Members travel between home and HQ; and

3. Noted that further detail would be included within the action plan and would be circulated to the Audit Committee by the Head of Strategic Finance.

(Reference: Report by Head of Strategic Finance dated 18 June 2014, submitted)

10. VAT RISK REVIEW

The Council asked tax consultants KPMG to carry out an VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes. A report outlining any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk was considered.

Decision

Noted the contents of the report and that further updates will be provided once all action points were complete.

(Reference: Report by Head of Strategic Finance dated 18 June 2014, submitted)

11. AUDIT SCOTLAND NATIONAL REPORTS

In compliance with the CIPFA Code of Practice for Internal Audit, the Audit Committee receives Audit Scotland reports pertaining to Local Government. A report providing a summary of six recently issued reports and checklists was considered. These reports were issued in the last six months and covered:- Scotland's Public Finances; Procurement in Councils; Overview of Local Government; How Council's Work – Options Appraisal; Reshaping Care for Older People; and Scotland's Public Sector Workforce.

Decision

1. Noted the contents of the report;
2. Noted that the Head of Strategic Finance would take forward to the Chair of the Performance Review and Scrutiny Committee the Audit Committee's proposal that consideration should be given to these reports being submitted initially to the Performance Review and Scrutiny Committee given the emphasis on them on performance rather than audit issues;
3. Agreed that a half day's joint seminar be organised for the Audit and PRS Committee in order to improve knowledge of the remit of each Committee and to consider future planning of workload and activity including consideration of Audit Scotland National reports.

(Reference: Report by Head of Strategic Finance dated 18 June 2014, submitted)

12. INTERNAL AUDIT ANNUAL REPORT 2013 - 2014

Internal Audit provides the Audit Committee with an Annual Report commenting on the duties and audits undertaken by the section throughout the financial year. The Annual Internal Audit report and the allocation of audit days for 2013 – 2014 was before the Committee for consideration.

Decision

Noted the Internal Audit Annual Report for 2013 – 2014.

(Reference: Report by Chief Internal Auditor dated 29 May 2014, submitted)

13. ANNUAL REPORT BY AUDIT COMMITTEE

In compliance with the CIPFA Code of Practice for Internal Audit in Local Government a draft annual Audit Committee report has been prepared by the Chair and Vice Chair which summaries the work of the Audit Committee during the year and outlines its view of the Council's internal control framework, risk and governance arrangements. The draft annual report attached in Appendix 1 to the report was before the Committee for consideration.

Decision

Agreed to approve the contents of the report and appendix on an interim basis and to review this once the external auditors report on financial statements (ISA 260 report) is received.

(Reference: Report by Chief Internal Auditor and draft Audit Committee Annual Report 2013 – 14, submitted)

14. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2014 - 2015

A report covering the audit work performed by Internal Audit as at 2 June 2014 was considered.

Decision

Noted the progress made with the Annual Audit Plan for 2014 – 2015.

(Reference: Report by Chief Internal Auditor dated June 2014, submitted)

15. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

In compliance with good practice set out in the CIPFA Code of Practice for Internal Audit in Local Government, final report summaries and action plans from recent internal audits were before the Committee to review.

Decision

1. Noted the contents of the reports in respect of the following audits:-
 - (a) Review of Carefirst
 - (b) Review of Customer Service Centre
 - (c) Review of Universal Credit
 - (d) Review of Budget Preparation and Control
 - (e) Review of Additional Special Needs
 - (f) Review of Leisure
 - (g) Review of Business Continuity
 - (h) Review of Statutory Performance Indicators 2012/13
 - (i) Review of Treasury Management
 - (j) Review of Procurement
 - (k) Review of Creditors – Purchase Cards
 - (l) Review of Stocktaking
2. Noted the concerns raised by Councillor Breslin in respect of the Review of Additional Support Needs and agreed that this concern would be discussed further at the joint seminar to be arranged with the PRS Committee;
3. In respect of the Review of Procurement noted Councillor Corry's request for an update on staffing within the Procurement Team which the Head of Strategic Finance would arrange for the Head of Customer and Support Services to provide; and
4. Noted the response to Councillor Corry's request for clarification on reporting of procurement savings and non-financial benefits.

(Reference: Report by Chief Internal Auditor dated 29 May 2014, submitted)

16. EXTERNAL AUDIT PROGRESS REPORT

Audit Scotland's Annual Audit Plan for the 2013/14 audit was presented to the Audit Committee on 14 March 2014. The audit plan set out what Audit Scotland perceived to be the key financial statement risks facing Argyll and Bute Council. A report providing progress against the 2013/4 Annual Audit Plan was considered.

Decision

Noted the contents of the report.

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

17. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP

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 30 April 2014 was considered.

Decision

Noted and approved the contents of the report.

(Reference: Report by Chief Internal Auditor dated 21 May 2014, submitted)

18. 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 to date in completion of the development plan.

(Reference: Report by Head of Strategic Finance dated 27 June 2014, submitted)

19. ANNUAL AUDIT PLAN 2014/15

A report introducing the Annual Audit Plan for 2014/15 was before the Committee for consideration.

Decision

Agreed and approved amendments to the Annual Audit Plan 2014/15 which were taken on board by Officers.

(Reference: Report by Chief Internal Auditor dated 4 June 2014, submitted)

20. AUDIT COMMITTEE DEVELOPMENT DAY DRAFT ACTION PLAN

A report introducing the draft Audit Committee Development Day Action Plan for 2014/15 was considered.

Decision

1. Noted the contents of the report; and

2. Agreed that any amendments Members of the Committee wished to make to the Action Plan should be forwarded to Internal Audit within the next 7 days.

(Reference: Report by Chief Internal Auditor dated 4 June 2014, submitted)

21. PROPOSALS FOR ASSURANCE MAPPING EXERCISE

A report outlining the process that Grant Thornton and the Internal Audit Team will adopt to map the Council's key risks and the source and level of assurance that the Council receives on those risks was considered.

Decision

1. Noted the proposed scope of the exercise; and
2. Noted that a report will be submitted in September with the results of the this exercise which will highlight any gaps and allow the Audit Committee to feed into preparations for the draft 2015/16 internal audit plan due in December 2014.

(Reference: Report by Head of Strategic Finance dated 26 June 2014, submitted)