

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 5 DECEMBER 2014**

Present: Martin Caldwell (Chair)

Gordon Blair
Michael Breslin
Maurice Corry
Iain Angus MacDonald
Richard Traill
Sheila Hill

Attending: Sally Loudon, Chief Executive
Bruce West, Head of Strategic Finance
Patricia O'Neill, Central Governance Manager
Kevin Anderson, Chief Internal Auditor
Grace Scanlin, Grant Thornton
Fiona Mitchell-Knight, Audit Scotland
David Jamieson, Audit Scotland

1. APOLOGIES FOR ABSENCE

No apologies for absence were intimated.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3. MINUTES

The Minutes of the Audit Committee of 26 September 2014 were approved as a correct record.

4. INTERNAL AUDIT UPDATE SUMMARY OF ACTIVITIES

The Committee considered a report which detailed the Internal Audit activity undertaken October to December 2014 and provided an update with regards to progress during Quarter 3 against the following areas;

- 14/15 Audit Plan progress
- Internal Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Development Plan
- Performance Indicators

Decision

The Committee noted the content of the report.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

5. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2014-2015

The Committee considered a report which provided executive summaries and details on seven audits that had been undertaken by Internal Audit and the recommendations that had been identified as a result of these audits.

During discussion on the Land and Asset Disposal Audit Summary report, the Chief Executive informed the Committee that the Director of Customer Services would be inviting SOLACE Enterprises to provide a “health check” on all procedures and processes relating to the review of Council assets and their marketing.

The Committee was advised of the distinction between valuations as part of the disposals process and for the asset register for inclusion in accounts in compliance with professional guidance. It was recognised that there was a requirement to ensure that reports kept Members clearly informed on asset management and to differentiate between operational assets, surplus assets and investment property.

It was noted that an Elected Members Seminar was due to be held early in 2015 on Asset Management Strategy.

Decision

The Committee noted the contents of the report and detail within each individual report in respect of the following audits;

- Airports
- Customer Service Centre
- Fisheries Local Action Group (FLAG)
- Income Maximisation – Direct Payments
- Land and Asset Disposal
- LEADER
- Pyramid Performance Management System

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

6. INTERNAL AUDIT DEVELOPMENT PLAN

The Committee considered a report which introduced revised development actions which were a continuation of improvement actions arising from a previous review of Internal Audit.

Decision

The Committee noted the content of the development plan.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

7. STRATEGIC RISK ASSURANCE MAPPING EXERCISE

A report which set out internal audit's assessment of the sources of assurance for the Audit Committee on the management of the Council's strategic risks was considered. The report described the approach to the work and the outcomes, including recommendations for future internal audit work.

The Committee considered the Strategic Risk Register to be important, valuable and informative, and that it was being carried out across the corporate structure of the Council.

Decision

The Committee;

- (i) noted the Strategic Risk Register shown at Appendix A;
- (ii) noted that the Risk Appetite Framework would be reporting to the March meeting of the Strategic Risk Group, following which any further comments could be brought to a future meeting of the Audit Committee;
- (iii) agreed that the Audit Committee consider the implications for the Internal Audit annual plans in 2015 – 16 and 2016 – 17, specifically:
 - verification of data quality within Pyramid
 - partnership governance arrangements
 - governance and political management arrangements in due course
- (iv) agreed that the Audit Committee and Performance Review and Scrutiny Committee consider areas of potential duplication relating to scrutiny of service performance, and that the role of the Performance Review and Scrutiny Committee could be focused on the extent to which reported outcomes have a mitigating effect on the risks facing the Council; and
- (v) agreed that a report on the governance of the Community Planning Partnership be placed on a future Agenda of the Audit Committee.

(Reference: Report by Grace Scanlin dated 5 December 2014, submitted)

8. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW-UP

The Committee considered a report which documented the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit due for implementation by 31 October 2014.

Decision

The Committee noted the report.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

9. DRAFT ANNUAL AUDIT PLAN 2015/16

The Committee considered a report which introduced the draft Annual Audit Plan for financial year 2015/16.

Decision

The Committee noted the report.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

10. EXTERNAL AUDIT ANNUAL REPORT

A report which provided a summary of findings carried out by Audit Scotland arising from the 2013/14 audit of Argyll and Bute Council was considered.

The Committee noted and discussed the following five key messages arising from the report;

- Best Value, use of resources & performance
- Governance & Accountability
- Financial position
- Financial statements
- Outlook

Decision

The Committee;

- (i) agreed that the Chief Executive would review the recommendations arising from the report; and
- (ii) noted that a review of the Action Plans drawn up following both Audit Scotland reports would be available in January/February 2015.

(Reference: Audit Scotland Argyll and Bute Council Annual Report on the 2013/14 Audit dated October 2014, submitted)

11. AUDIT COMMITTEE DEVELOPMENT DAY - ACTION PLAN

The Committee considered a report which provided a progress update in respect of the Audit Committee Development Day Action Plan for 2014/15.

Decision

The Committee;

- (i) noted the content of the report; and
- (ii) agreed that the Audit Committee Work Plan 2014 – 15 include a standing item on “Governance of Community Planning Partnership” from 25 September 2015.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

and Appendix 2 Audit Committee Work Plan 2014 – 15, tabled)

12. AUDITED ACCOUNTS 2013 - 14

The Committee considered a report which set out the outcome of the External Auditors (Audit Scotland) audit of the Council's financial statements for 2013-14.

Decision

The Committee;

- (i) noted the audited accounts and terms of the audit certificate; and
- (ii) noted the summary accounts and financial snapshot.

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

At this point the Committee took the opportunity to thank Bruce West, Head of Strategic Finance for his contribution to the work of the Audit Committee and the Council, and wished him success in his new role.