

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 11 MARCH 2016**

Present: Martin Caldwell (Chair)
Councillor Michael Breslin Sheila Hill (Vice Chair)
Councillor Richard Trail

Attending: Kirsty Flanagan, Head of Strategic Finance
Kevin Anderson, Chief Internal Auditor
Graeme Forrester, Area Committee Manager
Christina West, Chief Officer of Health and Social Care
Russell Smith, Audit Scotland
David Jamieson, Audit Scotland
Fiona Mitchell-Knight, Audit Scotland

1. MINUTES

The Minutes of the Audit Committee of Friday 4 December 2015 were approved as a correct record.

2. APOLOGIES FOR ABSENCE

Apologies of absence were intimated on behalf of Councillor Iain S MacLean and Councillor Iain Angus MacDonald.

3. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

The Chair ruled, and the Committee agreed, that the business as dealt with item 12 (AUDIT SCOTLAND REPORTS – HEALTH AND SOCIAL CARE INTEGRATION) of this minute be taken out of sequence to allow the Chief Officer of Health and Social Care to attend another meeting.

4. INTERNAL AUDIT SUMMARY OF ACTIVITIES

The Committee considered a report detailing an update on Internal Audit Activity during Quarter 4 against the following areas;

- 15/16 Audit Plan progress;
- Individual Audits undertaken;
- Continuous Monitoring Programme Testing;
- National Fraud Initiative;
- Internal Audit Development Plan; and
- Performance indicators.

It was noted that audits still in draft stage are anticipated to be completed and published by 31 March 2016 deadline.

Decision

The Audit Committee noted the report.

(Reference: Report by Chief Internal Auditor dated 11 March 2016, submitted)

5. INTERNAL AUDIT REPORTS

The Committee considered a report which provided detail of six audits, two of which had High Assurance and four had Substantial Assurance. It was noted that the audit of the Resource Allocation System did not progress as the system is to be discontinued.

Decision

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

- Homelessness;
- Economic Development Action Plans;
- Exclusions and Truancy;
- School Hostels;
- School Transport; and
- Welfare Reform.

(Reference: Report by Chief Internal Auditor dated 11 March 2016, submitted)

6. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW-UP 2015-2016

The Committee noted that Internal Audit documents the progress made by departmental management in implementing the recommendations made by both External and Internal Audit. The Committee considered a report which provided details of results of a review performed by Internal Audit for those recommendations due to be implemented by 31 January 2016.

The Committee was further updated on the foster carers' handbook which had been signed off and the 29 February 2016 deadline had been met.

Decision

The Audit Committee noted the contents of the report.

(Reference: Report by Chief Internal Auditor dated 11 March 2016, submitted)

7. ANNUAL AUDIT PLAN 2016 - 2017

The Audit Committee considered a report which introduced the Annual Audit Plan for the financial year 2016/2017. A draft had already been considered at the December 2015 meeting.

Decision

The Committee agreed to approve the Annual Audit Plan for 2016/2017.

(Reference: Report by Chief Internal Auditor dated 11 March 2016, submitted)

8. ASSURANCE LEVELS

A report was considered by the Committee outlining changes to assurance levels which introduced an additional assurance level of Reasonable Assurance which will feature between the current Substantial and Limited Levels.

Decision

The Audit Committee noted and endorsed the additional assurance level as a significant development which will come into effect from 1 April 2016.

(Reference: Report by Chief Internal Auditor dated 11 March 2016, submitted)

9. EMPLOYMENT TAX RISK REVIEW

The Committee considered a report outlining 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.

The Committee was made aware that the outstanding action detailed in Appendix 1 had been completed as it was not applicable to the Council.

Decision

The Audit Committee noted the contents of the report with further updates to future meetings.

(Reference: Report by Head of Strategic Finance dated 17 February 2016, submitted)

10. FINANCIAL STATEMENTS 2015-2016 TIMETABLE

A report was considered by the Committee which advised Members on the plans for the financial year end 31 March 2016 and the preparation of the Council's Financial Statements for 2015-2016.

The Committee was asked to recognise the outcomes of a review of the year end timetable and processes which identified three areas which had an impact on compliance with the timetable for investigation;

- Pension Information;
- Processing allocation journals; and
- Capital Financed from Revenue.

Decision

The Audit Committee noted that plans are in place to prepare the Council's financial statements, consistent with the Accounting Code of Practice, to be submitted to Council prior to 30 June 2016 in line with the Scottish Government's requirements.

(Reference: Report by Head of Strategic Finance dated March 2016, submitted)

11. EXTERNAL AUDIT PLAN 2015 - 2016

The Committee considered Audit Scotland's Argyll and Bute Council's Draft Annual Audit Plan 2015/2016 which focused on the identification and assessment of the risks of material misstatements in Argyll and Bute Council's financial statements.

Decision

The Audit Committee;

- i) noted the report; and
- ii) noted that this is the last year of Audit Scotland's five year audit appointment.

(Reference: Report by Audit Scotland dated February 2016, submitted)

12. AUDIT SCOTLAND REPORTS

The Committee considered a report noting key findings from two recent reports prepared by Audit Scotland;

- Argyll and Bute Council Best Value Audit 2015 which was published in December 2015; and
- Health and Social Care Integration which was also published in December 2015.

In addition to the Health and Social Care Integration report, the Assistant Director of Audit Scotland gave a verbal update on the national picture and on specific audits which included detail on;

- The budget setting process and what happens when under or overspend occurs; performance monitoring; production of accounts (noting that the Health Board accounts are signed off 30 June 2016); clarity of timetables; posting of transactions ensuring any relevant expenditure is attributed to Argyll and Bute Council or the Health Board; and data transfer ensuring data protection risks are considered when both organisations are sharing personal data.

Decision

The Audit Committee;

- i) noted the contents of the reports prepared by Audit Scotland; and
- ii) in relation to page 184, paragraph 85 of the Best Value Audit 2015, agreed to monitor progress of the Council's actions to maintain improvement.

(Reference: Report by Head of Strategic Finance dated 2 March 2016, submitted)

13. AUDIT COMMITTEE DEVELOPMENT PLAN

A report was considered by the Committee which provided a progress update in respect of the Audit Committee Development Plan action points. The plan is a rolling document and is underpinned by effectiveness session activity.

Decision

The Committee;

- i) noted the report and updated 2015/2016 Audit Committee Development Plan;
- ii) discussed the potential content of protocols to enhance the effectiveness of the Committee and its meetings;
- iii) noted the Vice Chair and the Chief Internal Auditor would discuss how further effectiveness activity would best benefit the Committee's changing membership; and
- iv) approved the removal of action points showing as complete.

(Reference: Report by Vice Chair, Audit Committee dated March 2016, submitted)

14. AUDIT COMMITTEE WORKPLAN

The Committee considered the outline workplan to facilitate forward planning of reports to the Audit Committee.

Decision

The Committee;

- i) noted the workplan;
- ii) agreed the addition of IT Risk Assessment to the December 2016 meeting;
and
- iii) agreed the removal of the Tax Risk Review from March 2017.

(Reference: Report by Executive Director – Customer Services dated 11 March 2016, submitted)