

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 23 SEPTEMBER 2016**

Present: Martin Caldwell (Chair)

Councillor Michael Breslin Councillor Richard Trail
Councillor Iain Stewart MacLean Sheila Hill

Attending: Kirsty Flanagan, Head of Strategic Finance
Peter Cupples, Finance Manager
Kevin Anderson, Chief Internal Auditor
Fiona Mitchell-Knight, Audit Scotland
David Jamieson, Audit Scotland
Russell Smith, Audit Scotland
David Forshaw, Principal Accountant
Allen Stevenson, Head of Adult Services – East
Rona Gold, Community Planning Manager
Carolyn McAlpine, Human Resources and Organisational Development
Manager
Graeme Forrester, Area Committee Manager

The Chair welcomed Councillor Iain MacLean to his first meeting of the Audit Committee and wished the current Audit Scotland team all the best for the future as a new team will be in place for the next Audit Committee Meeting in December 2016.

1. APOLOGIES FOR ABSENCE

There were no Apologies for Absence intimated.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest intimated.

3. MINUTES

The Minutes of the Audit Committee held on Friday 17 June 2016 were approved as a correct record.

4. INTERNAL AUDIT SUMMARY OF ACTIVITIES

The Audit Committee considered a report providing an update on Internal Audit activity during Quarter 2 on a number of areas including;

- 2016 / 2017 Audit Plan progress;
- Individual Audits undertaken;
- Continuous Monitoring Programme Testing;
- Internal Audit Development Plans; and
- Performance indicators.

Members were advised that in addition to the audits presented, a number of audits for Quarter 3 were currently at draft stage and would be issued to the Committee after final sign-off in the forthcoming weeks.

The Committee were advised that National Reports and any recommendations requiring follow-up will continue to be included in this quarterly report.

Decision

The Committee noted the content of the report.

(Reference: Report by Chief Internal Auditor dated 23 September 2016, submitted)

5. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2016 - 2017

The Audit Committee considered a report providing detail in respect to the following seven audits;

- Adult Care - Charging Scheme – Waivers.;
- CAA Compliance – Oban Airport;
- Census Submission Protocols;
- Hib North;
- Leader;
- Resource-link; and
- Strategic Finance.

The Head of Adult Services – East and the Principal Accountant advised the Committee that the management actions as set out in the report on Adult Care were underway.

In discussing the Adult Care - Charging Scheme – Waivers and Strategic Finance audits, members stated concerns regarding arrangements currently in place within the Integration Authority for effective communication and accountability.

Decision

The Committee noted the content of the summary report and detail contained within each individual report.

(Reference: Report by Chief Internal Auditor dated 23 September 2016, submitted)

At this point the Head of Adult Services - East and the Principal Accountant left and took no further part in the meeting.

6. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW-UP 2016 - 2017

The Committee considered a report and accompanying appendices detailing the results from a review performed by Internal Audit documenting the progress made by departmental management in implementing the recommendations made by both External and Internal Audit which are due to be implemented by 31 July 2016.

The Committee were advised that Internal Audit had agreed to reschedule the Review of Roads Maintenance Prioritisation 2015/16 element and now the new

Network and Standards manager is in post the element is expected to be completed by 30 November 2016.

Decision

The Audit Committee noted the contents of the report.

(Reference: Report by Chief Internal Auditor dated 23 September 2016, submitted)

7. LOCAL SCRUTINY PLAN 2016 - 2017 - AUDIT SCOTLAND

Members of the Audit Committee were presented with a report introducing the Local Scrutiny Plan (LSP) 2016/17. The LSP sets out the planned scrutiny activity in Argyll and Bute Council during 2016/17 and is based on a shared risk assessment undertaken by a Local Area Network (LAN), comprising of all scrutiny bodies who engage with the Council.

Discussion focused on concerns that the self-evaluation of the care inspectorate might not address the client's view; with a need to be client not contractor led. Fiona Mitchell-Knight advised the Members that in her capacity as LAN Communicator lead for Audit Scotland she could pass on concerns expressed by the Committee.

Decision

The Committee noted the content of the Local Scrutiny Plan 2016/17.

(Reference: Report by Head of Strategic Finance dated 23 September 2016, submitted)

8. NATIONAL FRAUD INITIATIVE IN SCOTLAND

In June 216 Audit Scotland produced a bi-annual report on the National Fraud Initiative (NFI) in Scotland which provided some key messages in respect of NFI activity and recommendations which the Committee considered.

Decision

The Audit Committee noted;

- i) the findings from the recent Audit Scotland report covering outcomes from the NFI in Scotland for the 2014/15 data matching exercise;
- ii) that the Council has participated in the NFI programme to assess data matched applicable to this organisation; and
- iii) the self-appraisal of the Council's approach to participation in NFI exercises, as outlined in Appendix 2 of the national report.

(Reference: Report by Chief Internal Auditor dated 23 September 2016, submitted)

9. TREASURY MANAGEMENT ASSURANCE REPORT

A report providing detailed assurance to the Committee that appropriate arrangements are in place relating to management controls and risk for treasury management was considered by Members.

Decision

The Audit Committee noted the Treasury Management Assurance Report.

(Reference: Report by Head of Strategic Finance dated 23 September 2016, submitted)

10. AUDITED FINANCIAL ACCOUNTS

The External Auditors, Audit Scotland, have completed their audit of the Council's accounts for the year to 31 March 2016. The audited accounts incorporating the audit certificate for 2015/16, which contained no qualifications, were presented to the Audit Committee.

Decision

The Audit Committee;

- i) approved the audited accounts for issue; and
- ii) congratulated the Head of Strategic Finance for the Audited Accounts containing no qualifications.

(Reference: Report by Head of Strategic Finance dated 23 September 2016, submitted)

The Audit Committee adjourned at 12:57 and reconvened at 13:14. At this point the Community Planning Manager joined the meeting.

11. EXTERNAL AUDIT ANNUAL REPORT

The Committee considered the proposed 2015/16 Annual Audit report to Members and the Controller of Audit in accordance with ISA260 International Standard on Auditing; and a draft letter of representation under ISA 580 to be signed and returned by the Accountable Officer with signed financial statements prior to the independent auditor's opinion being certified.

A summary of each of the main subject areas within the report was given as follows;

- Audit of 2015/6 financial statements;
- Financial management and sustainability;
- Governance and transparency;
- Best value; and
- Outlook

No issues of substantive concerns were raised. Members noted that once the financial statements had been certified the Annual Audit report would be issued in its final form.

Consideration was also given to two separate reports;

- ISA260 report in relation to the audit of Charitable Trusts administered by Argyll and Bute Council; and
- Audit Scotland's Argyll and Bute Council Asset Management report.

Decision

The Audit Committee noted the contents of the reports and the draft letters of representation under ISA 580.

(Reference: Reports by Audit Scotland dated 23 September 2016, submitted)

The Human Resources and Organisational Development Manager joined the meeting at this point.

12. REVIEW OF COMMUNITY PLANNING PARTNERSHIP GOVERNANCE

Audit Scotland reported in June 2014 that a recommendation for a review of governance arrangements for community planning was required as reported to the Audit Committee in September 2015. The Community Planning Partnership (CPP) has committed to review its governance on an annual basis to ensure it is compliant with any new legislation and to take account of feedback from its membership at strategic and local levels.

Discussion focussed on trust and communication between Area Community Planning Groups, Third Sector organisations, Community Councils and the Council.

Decision

Members of the Audit Committee noted;

- i) that the requirements of the Community Empowerment (Scotland) Act in relation to partners requiring to participate within community planning have been met;
- ii) the new management arrangements around the Single Outcome Agreement (SOA) delivery plans have been reviewed and strengthened; and
- iii) that the Community Planning Partnership will continue to review its governance, in light of the decisions made by Area Community Planning Groups and any further legislative requirements, and will report back to the Audit Committee in 12 months.

(Report by Executive Director - Community Services dated 29 August 2016, submitted)

13. PERFORMANCE MANAGEMENT REPORTING UPDATE 2016

The Audit Committee considered a report providing an update on progress of scrutiny of the Council's performance management processes and procedures as previously agreed by the Audit Committee in June 2013 as determined by the Committee's role to ensure that there are appropriate management systems in place.

The Committee was informed that consultation on the review of the Planning and Performance Management Framework has begun.

Decision

The Audit Committee noted the progress made against the agreed scrutiny process for the Council's performance management system and procedures.

(Report by Executive Director – Customer Service dated 23 September 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 noted the workplan and agreed to the addition of VAT Update report to be brought to December's meeting and the Local Scrutiny Plan will be presented to Members when it is issued by Audit Scotland next year.

(Reference: Report by Executive Director – Customer Services dated 23 September 2016, submitted)