

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 19 JUNE 2015**

Present: Martin Caldwell (Chair)

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

Attending: Steve Barrett, Head of Strategic Finance
Kevin Anderson, Chief Internal Auditor
Peter Cupples, Finance Manager
Douglas Hendry, Executive Director – Customer Services
Patricia O’Neill, Central Governance Manager
Cleland Sneddon, Executive Director – Community Services
Anne MacColl – Smith, Procurement and Commissioning Manager
Morag Brown, Business Development Manager, Community Services
Stuart Green, Corporate Support Manager
Jane Fowler, Head of Improvement and HR
Jim Smith, Head of Roads and Amenity Services
Grace Scanlin, Grant Thornton
Russell Smith, Audit Scotland
David Jamieson, Audit Scotland

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

The Committee noted that Councillor Maurice Corry had intimated that he would be later in joining the meeting, due to his attendance at a prior appointment.

2. DECLARATIONS OF INTEREST

Councillor Richard Trail declared a non-financial interest in relation to the report on Argyll and Bute Alcohol and Drugs Partnership Progress report as he was a member of the Helensburgh ADP Forum.

Councillor Iain Angus MacDonald declared a non-financial interest in relation to the report on Argyll and Bute Alcohol and Drugs Partnership Progress report as he was a member of O.A.S.I.S. – Oban Addiction Support and Information Service.

3. MINUTES

The Minutes of the Audit Committee of 13 March 2014 were approved as a correct record.

It was brought to Members attention under Item 5 “Employment Tax Risk Review” that COSLA advice in this regard was that the HMRC guidance was not applicable in Scotland and consequently the matter was resolved without the requirement to advise members of any change to the current position in respect of members expenses.

4. ARGYLL AND BUTE ALCOHOL AND DRUGS PARTNERSHIP PROGRESS REPORT

The Committee considered a report which informed them of the current and future developments within the Argyll and Bute Alcohol and Drugs Partnership (ADP) following the publication of the review of the commissioning process for community based adult addiction services by Audit Scotland.

Background information was given on the process undergone in the run up to and the awarding of the contract from March 2013 – January 2015, and the number and complex multi-layered network of the organisations involved during the consultation and procurement process was highlighted. Detailed information on the Council's procurement procedures was also provided. The Council's procurement team is part of a network of local authority members operating within the Public Contracts Scotland regulations and the recommendations made by Audit Scotland to clarify perceived ambiguities in the ITT will be shared throughout the network.

The Committee raised a significant number of queries relating to the commissioning process overall as well as to the Audit Scotland report. In response to questions raised by Members, the Executive Director – Community Services advised;

- the Council accepts all the recommendations for improvement contained in the Audit Scotland report and has also produced an additional action plan outlining its more detailed response to those recommendations;
- that Addaction Scotland was registered with the Care Inspectorate to provide housing support services, but not specifically within Argyll and Bute before 25 February 2015;
- Addaction Scotland now operated from offices based in Dunoon, Islay, Oban, Helensburgh and Lochgilphead, with co-location of premises having been identified in Bute;
- all existing clients had been assessed and feedback indicates that the quality of the service is high;
- both external legal advice sought by the Council, and also Audit Scotland had concluded that the contract with Addaction Scotland remained valid;
- the results from an internal review conducted on the Council's procurement processes were made available to Audit Scotland for the purposes of their audit;
- there had been an error in the published Minutes of the ADP Executive Group in June 2014 which had not specifically referred to the confidential session held at that meeting regarding the reviewed and updated invitation to tender (ITT);
- housing support was about assessing and evaluating the individual needs of the service user and also considering whether those needs could be met through an alternative route;
- a 24 hour crisis service was operated by the NHS;
- termination of Service Level Agreements (SLAs) had been extended to enable new contracts to be drawn up and a needs analysis to be undertaken in the run up to the tender process;
- as part of its improvement plan ADP will address governance and communications improvements in a report to be presented at the start of July 2015.

The Committee noted the points made.

Decision

The Committee noted the contents of the report and its findings, recommendations

and actions within.

(Reference: Report by Chief Officer Argyll & Bute Health and Social Care Partnership and Argyll and Bute ADP Chair and Executive Director – Community Services dated 19 June 2015, submitted)

5. UNAUDITED FINANCIAL ACCOUNTS

The Committee considered a report which gave an overview of the financial statements for 2014 – 15 and a summary of the significant movements from 2013 – 14. It also gave information on the revenue outturn for 2014 – 15. The Interim Head of Strategic Finance apologised for the late circulation of the unaudited accounts.

Decision

The Committee;

- (i) noted the unaudited accounts; and
- (ii) agreed that the Interim Head of Strategic Finance write to the Finance Director, Strathclyde Pension Fund (SPF) querying whether the General Fund Balance took into account the implications of a reduction in employees paying into the SPF in the next 3 – 5 years;
- (iii) agreed to add “Encompass” to the list shown at “13.3 Other Related Bodies” under Notes to the Financial Statements of the report.

(Reference: Report by Interim Head of Strategic Finance and Council Leader and Policy Lead for Strategic Finance dated 25 June 2015, submitted)

6. REVIEW OF CODE OF CORPORATE GOVERNANCE

A report advising the Audit Committee that the Council’s Governance Group had reviewed the content of the local code of corporate governance to reflect the governance position within the Council for 2014/15 was considered.

Decision

The Committee;

- (i) noted the content of the report and commented on the content of the revised Code of Corporate Governance for 2014/15; Action Plan for 2015/16; and the draft statement of governance and internal control for 2014/15;
- (ii) recommended that the role of the Performance Review and Scrutiny Committee (PRS) be taken into account within the local code of corporate governance, rather than giving an overreliance on Audit Committee functions;
- (iii) recommended an amendment to the statement at 3.1.1 to read “Formal meetings of the Council and its Committees held in private in accordance with legislation”;
- (iv) recommended that Appendix 3, Action 2 include reference to an on going aspiration for greater openness where practicable; and

- (v) recommended that Appendix 4 “AUDIT SCOTLAND FOLLOW-UP AUDIT” read as “..participation at the Performance Review and Scrutiny Committee, over the same period through training/development sessions having taken place, in particular, a joint training session with the Audit Chair and Chief Internal Auditor present.”

(Reference: Report by Executive Director – Customer Services dated 19 June 2015, submitted)

Councillor Maurice Corry joined the meeting.

The Chair ruled and the Committee agreed to adjourn the meeting for lunch at 13.30pm and to reconvene at 13.45pm.

7. BEST VALUE AUDIT 2015

A report which introduced detail of Audit Scotland’s Best Value audit which was underway was considered.

Decision

The Committee noted;

- (i) the content of Argyll and Bute Best Value 2015 document; and
- (ii) the clarification that the review of the scrutiny function would include audit.

(Reference: Report by Interim Head of Strategic Finance dated 19 June 2015, submitted)

8. RISK MANAGEMENT AND AUDIT

A report which set out a summary of the key issues/developments in relation to risk management and related activities around internal and external audit was considered.

Decision

The Committee;

- (i) noted the terms of the report and the progress being made on the mitigating actions/plans in place to address the Strategic risks relating to Population and Economic Decline and Finance Expenditure; and
- (ii) recommended that in order to provide a balanced narrative, future commentary on risk mitigations should include a statement of the challenges outstanding as well as progress achieved.

(Reference: Report by Chief Executive dated 19 June 2015, submitted)

9. HEALTH AND SOCIAL CARE INTEGRATION - DUE DILIGENCE

The Committee considered a report which provided details of the due diligence processes that had been applied to the creation of the overall Argyll & Bute Health and Social Care Partnership proposed budget for the 2015/16 financial year and the process for identifying finances to be allocated to the partnership. The due diligence

process would apply to partnership arrangements.

Decision

The Committee noted the content of the report and the due diligence process that had been followed.

(Reference: Report by Chief Internal Auditor dated 19 June 2015, submitted)

10. FEEDBACK ANALYSIS - AUDIT COMMITTEE EFFECTIVENESS SESSION/AUDIT COMMITTEE DEVELOPMENT PLAN 15 - 16

A report which provided summary analysis of the comments received during the March Committee effectiveness session was considered.

Decision

The Committee noted;

- (i) the report and content of the 15/16 Audit Committee development plan and that the next effectiveness session would take place prior to the Audit Committee meeting in September 2015;and
- (ii) that a combined report by the Chairs of the Audit Committee and Performance Review and Scrutiny Committee (PRS) on the protocols for forwarding/co-ordinating Audit reports to PRS would be brought to the next meeting of the Committee in September 2015.

(Reference: Report by Vice-Chair Audit Committee dated 19 June 2015, submitted)

11. AUDIT COMMITTEE ANNUAL REPORT 2014/15

A report which provided an overview of the Audit Committee's activity during the financial year 2014/15 was considered.

Decision

The Committee agreed the terms of the report, and noted that the report would be considered by Council at its meeting which agreed the External Auditor's annual audit letter.

(Reference: Report by Chair of Audit Committee dated 19 June 2015, submitted)

12. INTERNAL AUDIT - ANNUAL REPORT 2014 -15

The Audit Committee considered a report which was a review of Internal Audit for the period 2014/2015 and provided overall opinion on the level of assurance in respect of effectiveness of financial and management controls. The report outlined reporting responsibilities, provided commentary in relation to professional standards and provided an analysis of Internal Audit activity and progress during 2014/2015.

Decision

The Committee noted the conclusion and content of the report.

(Reference: Report by Interim Head of Strategic Finance dated 19 June 2015, submitted)

Councillor Iain Angus MacDonald left the meeting.

13. INTERNAL AUDIT SUMMARY OF ACTIVITIES

The Committee considered a report which detailed the Internal Audit Activity and progress during Quarter 1 against the following areas;

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

Decision

The Committee noted the content of the report.

(Reference: Report by Chief Internal Auditor dated 19 June 2015, submitted)

14. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2015 - 2016

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

Referring to the Audits carried out the Committee praised the work of Adult Learning and the Employability Team; and suggested that Business Support include information on work being carried out to attract inward investment and whether consideration was being given to providing development assistance for larger businesses.

Discussion then focussed on the Audits which had returned a Limited level of reassurance.

Background information to the Learning and Development – HR Training 2015/16 and Review of Roads Maintenance Prioritisation 2015/16 Audits and their findings was given. The Committee reviewed these audits with the relevant Heads of Service and received further assurances in regard to the action plans proposed.

In regard to HR Training, it was further agreed that the HR Board would oversee the creation of a comprehensive training and personal development record for all employees as part of the introduction of Resourcelink 5.

In regard to Road Maintenance Prioritisation it was noted that several sources of data were used to map out the roads maintenance landscape. It was further proposed that a multi criteria assessment model be created to help deliver a more transparent protocol in deciding road maintenance priorities.

An update on the remaining progress being made to resolve the issues identified was noted.

Decision

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

- Adult Learning
- Business Support
- Catering
- Employability
- Health and Safety
- HR and Learning and Development
- Information Communication and Technology
- Out of Authority Placements; and
- Road Maintenance Prioritisation

(Reference: Report by Chief Internal Auditor dated 19 June 2015, submitted)

15. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2014 - 2015

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.

The Chief Internal Auditor informed the Committee of the following updates to the report;

- Roads & Amenity Services – Review of Crematorium 2014/15 – a response had been received providing information that the relevant documentation had been revised and would be formally updated by 31 July 2015;
- Governance and Law – Review of Insurance Arrangements – the agreed action date had been updated to 2016 and the issue would be addressed.

Decision

The Committee;

- (i) noted the progress; and
- (ii) agreed that an updated report on the dissemination of information to Area Committees informing them of the role of a Project Board in relation to the delivery of the CHORD project be brought to the next meeting of the Committee on 25 September 2015.

(Reference: Report by Chief Internal Auditor dated 19 June 2015, submitted)

16. EXTERNAL AUDIT REPORTS

The Committee considered a report by Audit Scotland which summarised its assessment of the systems of internal control put in place by Argyll and Bute Council Management as required by Audit Scotland's Code of Audit Practice.

Decision

The Committee noted the report.

(Reference: Management Letter by Audit Scotland, External Auditors dated 27 May 2015, submitted)

17. NATIONAL FRAUD INITIATIVE IN SCOTLAND

The Committee considered a report on the National Fraud Initiative in Scotland 2014 (NFI) and the self appraisal checklist.

Members were informed that the 2015 NFI report would shortly be available for viewing.

Decision

The Audit Committee noted the content of the June 2014 National Fraud Initiative Report.

(Reference: Report by Audit Scotland, External Auditors dated 19 June 2015, submitted)

18. AUDIT COMMITTEE WORKPLAN

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

Decision

The Committee;

- (i) noted the workplan; and
- (ii) agreed that an additional report on the role of the CHORD project board be added to the September 2015 meeting list.

(Reference: Report by Executive Director – Customer Services dated June 2015, submitted)