

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 17 JUNE 2016**

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

Attending: Cleland Sneddon, Chief Executive
Kirsty Flanagan, Head of Strategic Finance
Peter Cupples, Finance Manager
Douglas Hendry, Executive Director - Customer Services
Kevin Anderson, Chief Internal Auditor
Abbie Macalister, Trainee Auditor
Fiona Mitchell-Knight, Audit Scotland
David Jamieson, Audit Scotland
Graeme Forrester, Area Committee Manager

Prior to the start of the meeting, at the Chair's recommendation, the Audit Committee members stood and observed a one minute's silence in respect for Jo Cox, MP for Batley and Spen Constituency in West Yorkshire who was killed on Thursday 16 June 2016.

The Chair welcomed to the Audit Committee meeting Cleland Sneddon as the newly appointed Chief Executive and Abbie Macalister in her new role as Trainee Auditor.

1. APOLOGIES FOR ABSENCE

Apologies for Absence were intimated on behalf of Vice-Chair Sheila Hill and Councillor Ian S MacLean.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3. MINUTES

The Minutes of the Audit Committee held on Friday 11 March 2016 were approved as a correct record.

4. REVIEW OF CODE OF CORPORATE GOVERNANCE

The Committee considered a report advising that the Council's Governance Group has reviewed the Code of Corporate Governance to reflect the governance position within the council for 2015/16. The review allows the Council to include a Statement of Governance and Internal Control in the Annual Accounts for 2015/16. The Governance Group has prepared an Action Plan for 2016/17.

Particular attention was paid to Community Engagement noting that Area Community Planning Groups are best placed for strengthening local empowerment to help build resilient communities.

Discussion also focused on tone and presentation of communications with customers and the community with a view to further developing a climate of openness and transparency.

Decision

The Committee approved;

- i) the content of the revised Code of Corporate Governance for 2015/16;
- ii) the content of the Action Plan for 2016/17; and
- iii) the draft Statement of Governance and Internal Control for 2015/16.

(Reference: Report by Head of Strategic Finance and Executive Director – Customer Services dated 17 June 2016, submitted)

5. INTERNAL AUDIT ANNUAL REPORT 2016/2017

Consideration was given to a report which provided the opinion that, subject to the matters listed in the Statement of Governance and Internal Control being actioned, substantial assurance can be taken that the systems of governance and internal control are operating effectively.

Decision

The Committee noted the contents of the report and commended the work of the Internal Audit Team.

(Reference: Report by Chief Internal Auditor dated 17 June 2016, submitted)

6. INTERNAL AUDIT SUMMARY OF ACTIVITIES

The Committee considered a report providing an update on Internal Audit Activity during Quarter 1 against the following core areas;

- 2016/17 Audit Plan progress;
- Individual Audits undertaken;
- Continuous Monitoring Programme Testing;
- Internal Audit Development Plan; and
- Performance Indicators.

The Committee discussed the Marine Services Audit – Follow-Up, noting that this was an action carried out subsequent to an earlier audit and were advised that one purpose of a follow-up is to seek assurance that recommendations are appropriately implemented.

Decision

The Audit Committee noted the report.

(Reference: Report by Chief Internal Auditor dated 17 June 2016, submitted)

7. INTERNAL AUDIT REPORTS

The Committee considered a report which provided detail in respect of the following nine audits;

- Capital Projects – Design Protocols;
- Disposal of Equipment;
- Townscape Heritage Initiative;
- Criminal Justice;
- Freedom of Information;
- Homecare Contract Compliance;
- Housing and Repair Grants;
- Staff Parking Permits; and
- Project Certification.

Decision

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

(Reference: Report by Chief Internal Auditor dated 17 June 2016, submitted)

8. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW-UP 2015 - 2016

The Audit Committee considered a report detailing results from a review performed by Internal Audit in respect to the progress made by departmental management in implementing the recommendations made by both External and Internal Audit with recommendations due to be implemented by 30 April 2016.

Discussion focused on the need to ensure Action Plans include measures which are specific, measurable, agreed, realistic and time-bound.

Decision

The Committee noted the content of the report.

(Reference: Report by Chief Internal Auditor dated 17 June 2016, submitted)

9. AUDIT COMMITTEE ANNUAL REPORT 2015 - 2016

Consideration was given to a report providing an overview of the Audit Committee's activity during the financial year 2015/16.

Decision

The Committee agreed the terms of the report subject to amendment at paragraph 4.1 to clarify that the Council's Performance Review and Scrutiny Committee has an independent Chair and Councillor Vice-Chair.

(Reference: Report by Chair of Audit Committee dated 17 June 2015, submitted)

10. UNAUDITED FINANCIAL ACCOUNTS

The Committee considered a draft report which gave an overview of the financial statements for 2015/16 and a summary of the significant movements from 2014/15 which is due to be completed ready for submission by Monday 20 June 2016.

Attentions focussed on Departmental Breakdowns; Balance Sheet summaries and Pension Liability.

Decision

The Committee noted;

- i) the draft unaudited accounts; and
- ii) that the final submission will be circulated to Committee Members upon its completion.

(Reference: Report by Chief Executive, Council Leader and Policy Lead for Strategic Finance and Head of Strategic Finance dated 17 June 2016, submitted)

11. WHY ACCOUNTS MATTER

Consideration was given by the Committee to a report providing information to assist Members in answering questions contained within Audit Scotland's 'Financial Reporting and Scrutiny: Why Accounts Matter' report produced in February 2016 which contains a list of questions Elected Members are to consider as part of the accounts scrutiny and approval process.

Decision

The Committee noted the content of the Audit Scotland report.

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

12. EXTERNAL AUDIT REPORTS

(a) MANAGEMENT LETTER: INTERNAL CONTROLS

The Committee was presented with a letter received by the Head of Strategic Finance from Audit Scotland regarding their Review of Internal Controls 2015/16 with accompanying Action Plan.

Decision

The Committee noted the letter and Action Plan.

(Reference: Letter by Senior Audit Manager, Audit Scotland dated 12 May 2016, submitted)

(b) MANAGEMENT LETTER: BUDGET SETTING

Consideration was given to the report 'Argyll and Bute Council: Review of the 2016-17 Budget Setting Process' by Audit Scotland. The Committee were advised that Audit Scotland are satisfied with the management responses to the recommendations contained within the Report and noted that these

responses included timescales and nominated officers for their performance.

Decision

The Audit Committee agreed the recommendations contained within Audit Scotland's report having received a clear management response that the 3 elements will be acted on with regard given to timescales and deadlines.

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

13. RISK MANAGEMENT AND AUDIT

The Members of the Audit Committee considered a report setting out a summary of key issues and developments in relation to risk management and related activities around Internal and External Audit. The report set-out how the Chief Executive will have oversight of these areas and also set down some of the important developments over the last year.

Decision

The Committee noted the terms of the report.

(Referenced: Report by Chief Executive dated 17 June 2016, submitted)

14. INTERNAL AUDIT CHARTER

A report outlining proposed changes to the Internal Audit Charter was presented to the Audit Committee. The Internal Audit Charter had been updated to include the new assurance levels as agreed at the March 2016 meeting of the Audit Committee.

Decision

The Audit Committee approved the updates to the Internal Audit Charter.

(Reference: Report by Chief Internal Auditor dated 17 June 2016, submitted)

15. 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.

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