

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 17 SEPTEMBER 2010**

Present:

Mr Ian M M Ross (Chair)

Councillor Daniel Kelly
Councillor David Kinniburgh

Councillor Andrew Nisbet
Councillor James Robb

Attending:

Iain Jackson, Governance and Risk Manager
Angus Gilmour, Head of Planning and Regulatory Services (for item 5)
Jane Fowler, Head of Improvement and Strategic HR (for item 4 and 7)
Bruce West, Head of Strategic Finance
Alan Morrison, Manager – Trading Standards Operations (for item 5)
Ian Nisbet, Internal Audit Manager
Gary Devlin, Grant Thornton UK LLP, External Auditors
Stephen Valleley, Grant Thornton UK LLP, External Auditors

The Chair welcomed Councillor Daniel Kelly to his first meeting of the Audit Committee and confirmed that a new Vice Chair, Martin Caldwell, had also been appointed to the Audit Committee following interviews held in August 2010. It was noted that Mr Caldwell was unable to attend the meeting today due to a prior commitment.

The Chair ruled, and the Committee agreed to consider a further two Internal Audit reports regarding Council Tax and Non Domestic Rates and Value for Money Study Following the Public Pound which had been finalised after publication of the Audit Committee agenda. These reports are dealt with at item 10 of this Minute.

It was agreed to vary the order of business and take the Annual Report by the Audit Committee as the final item on the Agenda. This report is dealt with at item 17 of this Minute.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillor Gordon Chalmers and Mr Martin Caldwell.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

(a) AUDIT COMMITTEE 25 JUNE 2010

The Minutes of the Audit Committee meeting held on 25 June 2010 were approved as a correct record.

(b) **AUDIT COMMITTEE 11 AUGUST 2010**

The Minutes of the Audit Committee meeting held on 11 August 2010 were approved as a correct record.

4. PERFORMANCE MANAGEMENT

A report providing an outline of the next significant developments in performance management was considered.

Decision

1. Noted the progress being made in the Council's approach to performance management; and
2. Noted Councillor Nisbet's concern regarding Members' involvement in identifying -
 - (a) appropriate measures to be included in Pyramid, the Council's Performance Management system, and
 - (b) what outcomes should be included in the Council's Corporate Plan.

(Reference: Report by Head of Improvement and Strategic HR, submitted)

5. SERVICE REVIEW OF REGULATORY SERVICES

A report on the status of the Service Review on Regulatory Services was considered.

Decision

1. Noted the progress of the Service Review, particularly the options recommended to the Transformation Board;
2. Noted that Officers would confirm to Members whether or not the Council had a duty to provide a debt counselling service; and
3. Noted that Legal Services was the subject of a separate Review and progress with this would be reported to the Audit Committee in December 2010.

(Reference: Report by Executive Director – Development and Infrastructure Services dated 25 August 2010, submitted)

6. ARGYLL AIR SERVICES

A report regarding the current operational position of Argyll Air Services as at 7 September 2010 was considered.

Decision

1. Noted the current progress with regard to the development of the Business

Plan and the resolution of outstanding matters which have impacted upon the operation and future sustainability of Argyll Air Services; and

2. Noted that the Executive Director – Development and Infrastructure Services will provide a further interim report on progress to the next Audit Committee.

(Reference: Report by Executive Director – Development and Infrastructure Services, submitted)

7. ASSURANCE AND IMPROVEMENT PLAN

The Assurance and Improvement Plan (AIP) has been prepared by Argyll and Bute's Local Area Network (LAN) which was formed to take a shared approach to this assessment. The AIP identifies the current level of risk within the council according to the findings of the LAN and these findings in turn identify what level of external scrutiny is appropriate for the council. The AIP covers a three year period and will be monitored on an annual basis by the LAN so is subject to change.

Decision

Noted the contents of the report and echoed its recognition of the progress being achieved by the Council.

(Reference: Report by Head of Strategic Finance dated 3 September 2010, submitted)

8. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2009 - 2010

A report advising of the key messages of a recently published report by Audit Scotland entitled "National Scrutiny Plan for Local Government 2010/11" was considered.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 24 August 2010, submitted)

9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2010 - 2011

An interim progress report covering the audit work performed by Internal Audit as at 20 August 2010 was considered.

Decision

Approved the progress made with the Annual Audit Plan for 2010-2011.

(Reference: Report by Internal Audit Manager dated 9 September 2010, submitted)

10. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

A report detailing final reports, summaries and action plans (where applicable) from recent audits was considered.

Decision

Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-

- (a) Council Tax and Non Domestic Rates
- (b) Value for Money Study Following the Public Pound
- (c) Stocktaking and Work in Progress
- (d) Capital Accounting - Procurement
- (e) Government and European Grants LEADER
- (f) Statutory Performance Indicators

(Reference: Report by Internal Audit Manager dated 9 September 2010, submitted)

11. SERVICE REVIEW OF INTERNAL AUDIT

A report advising on progress with the Service Review of Internal Audit was considered.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit; and
2. Agreed that the identified options for the future delivery of Internal Audit should be presented to the Audit Committee for consideration at their 'Away Day'.

(Reference: Report by Internal Audit Manager dated 3 September 2010, submitted)

12. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2010 - 2011

Internal Audit monitors and documents the progress made by Departmental Management in implementing the agreed recommendations arising from both internal and external audit reports. On a quarterly basis reports detailing management progress and implementing agreed recommendations by a specific date are provided to the Strategic Management Team and Audit Committee. This reporting process to date has been useful but given the Council's modernisation programme the opportunity has been taken to further develop the current reporting system. A report outlining the amended system, tasks and responsibilities was considered along with the report on the current position of all agreed recommendations from both external and internal audit reports.

Decision

1. Noted the contents of the report and these would be followed up by Internal Audit; and
2. Agreed that the risk level of agreed recommendations should be incorporated into future reports.

(Reference: Report by Internal Audit Manager dated 2 September 2010, submitted)

13. RISK MANAGEMENT QUARTERLY UPDATE

The Head of Strategic Finance advised that he had not been able to produce a report for this meeting and agreed to circulate a progress report to the Audit Committee at the end of October 2010.

14. EXTERNAL AUDIT PROGRESS REPORT 2009-2010

A summary of progress of the External Audit Plan for the year ending 31 March 2010 was considered.

Decision

Noted the contents of the report.

(Reference: Report by Grant Thornton, UK LLP, submitted)

15. EXTERNAL AUDIT REPORT - CONTRACT MANAGEMENT

As part of the 2007 - 2008 Audits, the Council's external auditors reviewed the contract management of the Argyll Air Services project and identified a number of weaknesses in the council's arrangements. Since then, the council has significantly revised its contract management arrangements, particularly by adopting the Gateway Model for feasibility and business. The purpose of this audit is to consider the council's progress in implementing agreed action plan points in relation to new projects that had been processed under the Gateway Model. The audit was undertaken in partnership with Internal Audit and included a review of the council's progress in implementing recommendations specific to the Argyll Air Services project.

Decision

Noted the contents of the report and that these will be followed up by Internal Audit.

(Reference: Report by Grant Thornton, UK LLP dated July 2010, submitted)

16. EXTERNAL AUDIT REPORT - 2009/10 ACCOUNTS AUDIT

A report setting out the key issues arising from the External Auditor's audit of the financial statements of Argyll and Bute Council for 2009-2010 was considered. This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Audit Committee.

Decision

The Audit Committee agreed:-

1. To note the contents of the report;
2. That the accounting policies adopted were the most appropriate;
3. That they were not aware of any additional material risk areas facing the Council, including significant fraud risks;
4. The appropriateness of the approach taken by management in respect of the unadjusted error to the accounts as detailed at section 3.3 of the report; and
5. To applaud the contribution of the Finance team to a successful outcome.

(Reference: Report by Grant Thornton, UK LLP, External Auditors, submitted)

17. ANNUAL REPORT BY AUDIT COMMITTEE 2009 - 2010

In compliance with the CIPFA Code of Practice for Internal Audit in Local Government (the Code) a draft annual Audit Committee report was prepared and presented to the Audit Committee for approval on 25 June 2010. The report summarised the work of the Audit Committee during the financial year 2009-2010 and outlined its view of the Council's internal control framework, risk management and governance arrangements. Comments were obtained from Members of the Committee and an amended final annual report is attached at Appendix 1. Also at the same meeting the Audit Committee terms of reference received an annual review and were approved. The terms of reference are included in an Appendix to the attached report.

Decision

Noted the contents of the report and approved this for submission to the Council subject to a number of minor adjustments which will be finalised by the Internal Audit Manager in consultation with the Chair.

(Reference: Report by Internal Audit Manager dated 25 August 2010, submitted)