

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 20 SEPTEMBER 2013**

Present:

Martin Caldwell (Chair)

Councillor Maurice Corry
Sheila Hill
Councillor Iain MacDonald

Councillor Duncan MacIntyre
Councillor Aileen Morton

Attending:

Bruce West, Head of Strategic Finance
Jim Smith, Head of Roads and Amenity Services
Patricia O'Neill Central Governance Manager
Russell Smith, Audit Scotland
David Jamieson, Audit Scotland
Fiona Mitchell-Knight, Audit Scotland
Grace Scanlon, Grant Thornton
Angela Scott, CIPFA

The Chair ruled, and the Committee agreed, to consider the reports referred to at items 10, 12, 13a, 13b and 14 of this Minute as a matter of urgency.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillor Gordon Blair.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The Minutes of the Audit Committee of 21 June 2013 were approved as a correct record subject to the following amendments:-

Item 7 Audit Scotland National Reports to Audit Committee 2012 – 2013

Decision 3 to include reference to the Committee's decision to agree that the Head of Strategic Finance would bring back a report in December 2013 on how to report outcomes openly and transparently without compromising commercial sensitivity.

A further decision to read "Noted that a report regarding SOLACE benchmarking would be going to the Strategic Management Team and agreed to request an update on progress from the Head of Improvement and HR in December 2013.

4. BUSINESS CONTINUITY UPDATE

On completion of the Council's review of its Business Continuity processes a report was brought to the Audit Committee on 21 September 2012 to advise of the outcome of the review. At this meeting it was requested that a further report regarding staff taking ownership of Business Continuity Planning be brought back to the Audit Committee in September 2013 and this was now before the Committee for consideration.

Decision

Noted the terms of the report.

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

5. AUDIT SCOTLAND REPORT - COMMUNITY PLANNING AND HEALTH INEQUALITIES

Audit Scotland has this year issued national reports on Improving Community Planning and Health Inequalities in Scotland. The Audit Committee considered a report in June and agreed that a further management report be submitted in September in respect of progress in relation to these two Audit Scotland national reports. This report was now before the Committee for consideration.

Decision

Noted the improvement activity set out at paragraph 3.7 and agreed that a progress report be brought to the Audit Committee in June 2014 advising on progress with the report prepared by the Head of Improvement and HR.

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

6. AUDIT SCOTLAND REPORT - 'MAINTAINING SCOTLAND'S ROADS'

On 17 May 2013 the Accounts Commission published its report 'Maintaining Scotland's Roads; an audit update on Council's progress'. The 2013 report provides details on how Councils across Scotland have responded to recommendations from the report dated February 2011 Maintaining Scotland's Roads, a follow up report. Both the 2011 and 2013 reports provide progress reports on the original document published in November 2004. A report detailing the actions this Council was taking towards the recommendations of the 2013 report was considered.

Decision

1. Noted the actions the Council was taking towards the recommendations from the 'Maintaining Scotland's Roads' report; and
2. Noted the Audit Scotland report.

(Reference: Report by Executive Director – Development and Infrastructure Services dated September 2013, submitted)

7. AUDIT ASSURANCE ON TREASURY MANAGEMENT

A report setting out information around the arrangements in place relating to management controls and risk for treasury management was considered.

Decision

1. Noted the contents of the report; and
2. An issue in respect of the scrutiny by elected members was noted as requiring clarification.

(Reference: Report by Head of Strategic Finance dated 28 August 2013, submitted)

8. RISK MANAGEMENT UPDATE

A report setting out the next steps in taking forward the approach agreed in June for the Audit Committee to discharge its role in relation to risk management was considered. An update on general risk management activity was also provided.

Decision

The Committee:-

1. Noted the terms of the update and endorsed the next steps as outlined in the report; and
2. Commended the Officers involved with this particular piece of work in clarifying how a more developed approach and assessment of risk management (including within internal audit reports to the Committee) would be undertaken as part of the Audit Plan.

(Reference: Report by Head of Strategic Finance dated 12 September 2013, submitted)

9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2013 - 2014

An interim report covering the audit work performed by Internal Audit as at 2 August 2013 was considered.

Decision

1. Noted progress made with the Annual Audit Plan for 2013 – 2014; and
2. Noted that contract audit days will be purchased in order to bring the plan back on track.

(Reference: Report by Head of Strategic Finance dated 11 September 2013, submitted)

10. REPORT ON PUBLIC SECTOR INTERNAL AUDIT STANDARDS

A report introducing the outcome of a review on Internal Audit which was carried out as part of the strategic development and performance improvement partnership with Grant Thornton and CIPFA was considered.

Decision

Noted the outcome of the review and endorsed the proposed improvement actions set out in the Appendix to the report.

(Reference: Report by Head of Strategic Finance dated 19 September 2013, tabled)

11. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2013 - 2014

Internal Audit documents the progress made by departmental management in implementing the recommendations made by both External and Internal Audit. A report detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 31 July 2013 was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 14 August 2013, submitted)

12. EXTERNAL AUDIT - PROGRESS REPORT ON EXTERNAL AUDIT PLAN

Audit Scotland's Annual Audit Plan for the 2012/13 Argyll and Bute Council audit was presented to the Audit Committee on 15 March 2013. The audit plan set out the key risks facing the Council in financial year 2012/2013, the actions taken by management to mitigate these risks and the main audit outputs for the year. A report providing details of progress to date against the 2012/13 Annual Audit Plan was considered.

Decision

Noted the contents of the report.

(Reference: Report by External Auditors - Audit Scotland dated September 2013, tabled)

13. EXTERNAL AUDIT REPORTS

(a) REVIEW OF INTERNAL CONTROLS 2012 - 2013

Consideration was given to a report regarding a review carried out by Audit Scotland to evaluate whether the key internal controls operating within the main financial systems of the Council were adequate to enable Audit Scotland to place reliance on them when forming an opinion on the 2012/13 financial statements.

Decision

Noted the contents of the report.

(Reference: Report by External Auditors – Audit Scotland, dated 13 September 2013, tabled)

(b) SCOTLAND'S PUBLIC FINANCES - ADDRESSING THE CHALLENGES: FOLLOW UP AUDIT

In 2010 Audit Scotland agreed a targeted approach to following up a small number of performance audit reports each year to promote local impact. 'Scotland's Public Finances: Addressing the Challenges' published in August 2011 was the only performance audit report to be selected for targeted follow up in 2012/13. A report summarising the key findings arising from Audit Scotland's local follow up work was considered.

Decision

1. Noted the contents of the report; and
2. With regard to service reviews paragraph 27-29 noted that a report would be brought to Council which would provide information on the numbers and costs associated with early retirements including information on any subsequent re-employment.

(Reference: Report by External Auditors – Audit Scotland dated September 2013, tabled)

14. EXTERNAL AUDIT REPORT ON FINANCIAL STATEMENTS - ISA 260 LETTER

A report setting out the matters arising from the audit of the financial statements for 2012/13 that require to be reported under ISA 260 was considered.

Decision

Noted the contents of the report.

(Reference: Report by External Auditors – Audit Scotland dated September 2013, tabled)