

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 13 DECEMBER 2013**

Present: Martin Caldwell (Chair)

Councillor Gordon Blair

Councillor Aileen Morton

Attending: Bruce West, Head of Strategic Finance
Jane Fowler, Head of Improvement and HR (item 4)
Patricia O'Neill, Central Governance Manager
Alan Morrison, Regulatory Services Manager (item 5a)
Gary Devlin, Grant Thornton
David Jamieson, Audit Scotland
Moira Weatherstone, Internal Audit
Mhairi Weldon, Internal Audit
David Sullivan, Internal Audit

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillor Maurice Corry and Sheila Hill.

2. DECLARATIONS OF INTEREST

Mr Caldwell declared a non financial interest in the LEADER Funding Internal Audit Report as he was the secretary of a voluntary organisation which had previously benefited from LEADER funding. The report was before the Committee for consideration at item 15 of this Minute. It was agreed to continue consideration of this report to the next Audit Committee in March 2014 as the meeting would be inquorate if Mr Caldwell left the room during discussion of this report.

3. MINUTES

The Minutes of the Audit Committee of 20 September 2013 were approved as a correct record.

With reference to matters arising under item 3 - Minutes it was noted that the report by the Head of Strategic Finance would come to the Audit Committee in March 2014.

4. LOCAL GOVERNMENT BENCHMARKING FRAMEWORK

The Local Government Benchmarking Framework has replaced the Statutory Performance Indicators as a means of improving Scotland's performance through comparison and learning across Scottish councils. Argyll and Bute Council is participating in the developing framework and consideration was given to a report advising on progress being made with implementing the new Local Government Benchmarking Framework.

Decision

Noted the progress made with implementing the new Local Government Benchmarking Framework.

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

5. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2012 - 2013 & 2013 - 2014

(a) PROTECTING CONSUMERS ACTION PLAN - PROGRESS REPORT

On 17 April 2013 Members of the Planning, Protective Services and Licensing Committee endorsed an Action Plan to address the issues raised by the Audit Scotland report "Protecting Consumers". Regular reports have been provided to the Council's Audit Committee against the agreed plan and on 20 November 2013 the Planning, Protective Services and Licensing Committee considered a six month progress report. A report summarising the current position was before the Audit Committee for consideration.

Decision

The Committee noted:-

1. the contents of the report and the considerable progress which has been made and arrangements which are in place to manage this project; and
2. that timescales for 5 activities where the timescales were unachievable for various reasons have been extended with agreement of the PPSL Committee.

(Reference: Report by Head of Planning and Regulatory Services dated December 2013, submitted)

(b) HOUSING IN SCOTLAND

A report advising of a recently published report by Audit Scotland entitled "Housing in Scotland" along with a management response to this was considered.

Decision

1. Noted the contents of the report which will be followed up by Internal Audit; and
2. Noted that Officers are giving consideration to how the Council and the Audit Committee should address issues raised in Audit Scotland reports in the future.

(Reference: Report by Head of Strategic Finance dated 18

November 2013, submitted)

(c) CHARGING FOR SERVICES: ARE YOU GETTING IT RIGHT?

A report advising of a recently published report by Audit Scotland entitled "Charging for Services: Are You Getting it Right" was considered.

Decision

1. Noted the contents of the report which will be followed up by Internal Audit; and
2. Noted that the Management Response to the questions within the report would be brought to the Audit Committee for consideration.

(Reference: Report by Head of Strategic Finance dated 18 November 2013, submitted)

6. AUDITED ACCOUNTS 2012 - 2013

The external auditors, Audit Scotland, have completed their audit of the Council's accounts for the year to 31 March 2013. Consideration was given to the audited accounts incorporating the audit certificate for 2012 – 2013 which had been presented to the Council on 28 November 2013.

Decision

Noted the audited accounts and the terms of the audit certificate.

(Reference: Report by Head of Strategic Finance dated 20 November 2013 and Audited Financial Statements for the year ended 31 March 2013, submitted)

7. EXTERNAL AUDITORS ANNUAL REPORT FOR YEAR ENDED 31 MARCH 2013

Consideration was given to a report introducing the external auditors Annual Audit report for 2012/13 which had been presented to the Council on 28 November 2013.

Decision

1. Noted the external audit Annual Report for 2012/13; and
2. Noted that a neighbouring authority had not had its application to connect to the Public Services Network approved and agreed to request that the Head of Customer and Support Services circulate to the Audit Committee an update on the current position.

(Reference: Report by Head of Strategic Finance dated 20 November 2013 and Annual Report on the 2012/13 Audit by Audit Scotland dated

October 2013, submitted)

8. UPDATE ON INTERNAL AUDIT IMPROVEMENT PLAN

A report was presented at the September Audit Committee introducing the outcome of a review of Internal Audit which was carried out as part of the strategic development and performance improvement partnership with Grant Thornton and CIPFA. A report highlighting progress made against the improvements identified as a result of the Internal Audit Review against the Public Sector Internal Audit Standards was considered.

Decision

1. Noted progress made to date in completion of the improvement plan;
2. Noted that discussions were underway with CIPFA regarding scheduling an Audit Committee Away Day for late February/early March 2014; and
3. Noted that the review of key performance indicators for Internal Audit will involve discussions with current and new Audit Committee Members.

(Reference: Report by Chief Internal Auditor dated 6 December 2013 and report by Audit Scotland dated December 2013, submitted)

9. UPDATE ON STRATEGIC RISK REGISTER

A report updating the Committee on the key strategic risks facing the Council, the associated mitigating actions and changes in these risks was considered.

Decision

1. Noted the contents of the report; and
2. Noted the red risk in respect of the Operating Market and Population and Economic decline and agreed to request that the Economic Development Manager bring a report to the next Audit Committee meeting in March 2014 detailing the mitigation measures being taken to address this risk.

(Reference: Report by Head of Strategic Finance dated 7 November 2013, submitted)

10. ACCOUNTS COMMISSION STATUTORY REPORT

A report advising that the statutory report by the Controller of Audit and Accounts Commission findings have been submitted to the Council and that an action plan will be developed over the next 3 months was considered.

Decision

Noted the terms of the report.

(Reference: Report by Chief Executive dated 6 December 2013, submitted)

11. INTERNAL AUDIT CHARTER

A report introducing the Internal Audit Charter prepared in line with the requirements of the Public Sector Internal Audit Standards was considered..

Decision

1. Approved the Internal Audit Charter subject to the following amendments:-
 - (a) All references within the Charter to “Internal Audit Service” to be changed to “Internal Audit” throughout the document;
 - (b) Noted that the second bullet point at paragraph 9 of the Charter will be rephrased;
 - (c) The word “direction” to be changed to “guidance” within the first paragraph at section 13 of the Charter; and
2. Agreed to delegate authority to the Head of Strategic Finance to finalise the Charter in consultation with the Chair and Vice Chair of the Audit Committee.

(Reference: Report by Chief Internal Auditor dated 6 December 2013 and Internal Audit Charter dated November 2013, submitted)

12. INTERNAL AUDIT TERMS OF REFERENCE AND REPORT TEMPLATES - DRAFT

A report introducing updated terms of reference and reporting templates for internal audit work was considered.

Decision

Approved the proposed amendments to the Terms of Reference and Audit Reporting templates for internal audit.

(Reference: Report by Chief Internal Auditor dated 13 December 2013, submitted)

13. INTERNAL AUDIT RISK ASSESSMENT PROCESS

A report setting out the approach to be taken to carrying out the risk assessment that will underpin the development of the internal audit plan for 2014-15 was considered.

Decision

Approved the principles of the risk assessment process to be used in development of the 2014-15 internal audit plan.

(Reference: Report by Head of Strategic Finance dated 9 December 2013, submitted)

14. UPDATED ANNUAL AUDIT PLAN 2013/14

A report introducing the Annual Audit Plan for 2013/14 was considered.

Decision

1. Noted the progress made to date in delivering the 2013/14 Annual Audit Plan; and
2. Approved the proposed amendments to the Annual Audit Plan.

(Reference: Report by Chief Internal Auditor dated 13 December 2013 and Updated Annual Audit Plan 2013 – 14 dated 13 December 2013, submitted)

15. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

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

Decision

1. Noted the contents of the reports in respect of the following audits which will be followed up by Internal Audit:-
 - (a) Council Tax – Second Homes and Unoccupied Homes
 - (b) Non-Domestic Rates – Business Improvement Districts
 - (c) Sundry Debtors
2. Agreed to continue consideration of the report on LEADER Funding – Annual Certification to the Audit Committee meeting in March 2014.

(Reference: Report by Chief Internal Auditor dated 19 November 2013, submitted)

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

Internal Audit documents 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 October 2013 was considered.

Decision

Noted and approved the contents of the report.

(Reference: Report by Chief Internal Auditor dated 18 November 2013, submitted)

17. NATIONAL FRAUD INITIATIVE (NFI) - NATIONAL EXERCISE 2012/13

A report providing the current position regarding the Accounts Commission – Audit Scotland NFI exercise for 2012/13 was considered.

Decision

Noted the contents of the report which will be followed up by Internal Audit.

(Reference: Report by Chief Internal Auditor, submitted)