

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 26 SEPTEMBER 2014**

**Present:**

Martin Caldwell (Chair)

Councillor Gordon Blair  
Councillor Michael Breslin  
Councillor Maurice Corry

Councillor Iain MacDonald  
Sheila Hill

**Attending:**

Douglas Hendry, Executive Director – Customer Services  
Bruce West, Head of Strategic Finance  
Patricia O’Neill, Central Governance Manager  
Jane Fowler, Head of Improvement and HR – item 4  
Kevin Anderson, Chief Internal Auditor  
Grace Scanlon, Grant Thornton  
Fiona Mitchell-Knight, Audit Scotland  
David Jamieson, Audit Scotland  
Russell Smith, Audit Scotland

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Richard Trail.

**2. DECLARATIONS OF INTEREST**

Councillor Maurice Corry declared a non-financial interest in relation to the external audit report – Review of Scottish Submarine Museum at item 13 in that he was a member of the Argyll and Bute Community Covenant Partnership, but did not regard the interest as significant.

**3. MINUTES**

The Minutes of the Audit Committee of 27 June 2014 were approved as a correct record.

With reference to item 15 – Internal Audit Reports to Audit Committee, The Chair advised that after attending the Performance Review and Scrutiny Committee Development Day, it is his understanding that the Performance Review and Scrutiny Committee need to be given time to work as a group and it would be better if the joint meeting was held at a later date.

**4. PERFORMANCE MANAGEMENT REPORTING - UPDATE**

A report which provided an update on the progress of the council’s performance management processes and procedures was considered.

These were agreed by the Committee in June 2013.

### **Decision**

The Committee noted the progress made against the agreed scrutiny process for the Council's performance management system and procedures.

(Reference: Report by Executive Director – Customer Services, dated 26 September 2014, submitted)

- 5. EXTERNAL AUDIT REPORT ON FINANCIAL STATEMENTS - ISA 260**  
The Committee considered a report by the external auditors which sets out the key issues emerging from the audit of the financial statements for 2013/14 that require to be reported under ISA260. Consideration was also given to a separate ISA260 report in relation to the audit of the Council's charities.

### **Decision**

The Audit Committee noted the contents of the report and that an audit of land and asset disposal was scheduled for quarter 3.

(Reference: Report by External Auditors – Audit Scotland, dated September 2014, submitted.)

- 6. TREASURY MANAGEMENT ASSURANCE REPORT**  
The Committee considered a report which set out information around the arrangements in place relating to the management controls and risk for treasury management. The purpose of the report was to provide assurance to the Committee that appropriate arrangements are in place.

### **Decision**

The Committee noted the Treasury Management Assurance Report.

(Reference: Report by Head of Strategic Finance, dated 26 September 2014, submitted)

- 7. ANNUAL RISK ASSURANCE REPORT**  
A report was considered which provided the Committee with an update on risk management activity. The report provided assurance to the Committee that risk management is a live process within the organisation and it continues to be embedded into day to day management.

### **Decision**

The Committee noted the contents of the report.

(Reference: Report by Head of Strategic Finance, dated 26 September

2014, submitted)

## **8. INTERNAL AUDIT UPDATE SUMMARY**

A report that detailed the activity undertaken by Internal Audit in quarter two was considered. The report provided the Committee with an update with regards to progress during quarter two against the following areas:

- 14/15 Audit Plan Progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Development Plan
- Performance Indicators.

### **Decision**

The Audit Committee noted the contents of the report.

(Reference: Report by Head of Strategic Finance, dated 26 September 2014, submitted)

## **9. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE**

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

The Chief Internal Auditor advised the Committee of the improved layout of the report.

### **Decision**

1. The Committee noted the contents of the reports in respect of the following audits:-

- (a) Review of sickness and absence
- (b) Review of Marine Services
- (c) Review of Capital Contracts and Operating Leases
- (d) Review of Risk Management
- (e) Review of Local Government Benchmarking Framework
- (f) Review of NPDO
- (g) Review of Insurance
- (h) Review of S75 Planning
- (i) Review of Crematoriums
- (j) Review of Procurement of Utilities

2. The Committee agreed to the new format of the report.

(Reference: Report by Chief Internal Auditor, dated 26 September 2014, submitted)

**10. EXTERNAL AUDIT - PROGRESS REPORT ON EXTERNAL AUDIT PLAN**

The external auditors Audit Scotland's Annual Audit Plan for 2013/14 audit was presented to the Audit Committee on 14 March 2014. The audit plan set out the key financial risks facing Argyll and Bute Council in financial year 2013/14. A report providing the progress against the 2013/14 Annual Audit Plan was considered.

**Decision**

The Committee noted the contents of the report.

(Reference: Report by Audit Scotland, dated September 2014, submitted)

**11. EXTERNAL AUDIT REPORT - REVIEW OF INTERNAL CONTROLS 2013-14**

The Committee considered a report which provided the results of a review carried out by Audit Scotland to evaluate whether the key internal controls operating within the main financial systems of the Council are operating adequately to allow Audit Scotland to take assurance on these systems for their financial statements audit work in 2013/14.

**Decision**

The Audit Committee noted the content of the report and the conclusion reached by Audit Scotland that the Council's main financial systems are operating satisfactorily; therefore planned assurance can be placed on these systems.

(Reference: Report by External Auditors - Audit Scotland, dated 3 July 2014, submitted)

**12. EXTERNAL AUDIT REPORT - REVIEW OF HELENSBURGH CHORD**

Audit Scotland submitted a management letter to the Committee reporting the outcome of additional targeted audit activity. This additional work was undertaken as a result of correspondence from members of the public. (3 submissions)

Audit Scotland provided an overview of the content within the management letter which provided opinion on governance and project management arrangements.

The Chair highlighted that an internal audit of CHORD was scheduled for

quarter 4 as part of the planned audit programme.

### **Decision**

The Committee noted the content of the management letter.

(Reference: Report by External Auditors – Audit Scotland, dated 21 September 2014, submitted)

### **13. EXTERNAL AUDIT REPORT - REVIEW OF SCOTTISH SUBMARINE MUSEUM**

Audit Scotland submitted a management letter to the Committee reporting the outcome of additional targeted audit activity. This additional work was undertaken as a result of correspondence from members of the public. (1 submission).

Audit Scotland provided an overview of the content within the management letter which provided opinion on the governance arrangements in respect of a funding request to support a Submarine museum.

The Chair indicated that at his request, work had already taken place with regards to an approval framework/checklist to support appraisal of funding requests and the outcome of this would be presented to a future Audit Committee meeting.

The Chair proposed the introduction of clearer communication protocols between Internal Audit and Audit Scotland in respect of future reviews.

### **Decision**

The Committee noted the content of the management letter.

(Reference: Report by External Auditors – Audit Scotland, dated 21 September 2014, submitted)

Councillor Michael Breslin left the meeting at the end of discussions on the above item, and after the decision.

### **14. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2014-2015**

Internal Audit document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. The Committee considered a report which set out the results from a review performed by Internal Audit for recommendations due to be implemented by 31 July 2014.

The Committee noted that Internal Audit were content with the reasons behind services delaying certain recommendations and noted that Internal

Audit are looking at developing a protocol that limits the number of times that a target date can be rescheduled.

### **Decision**

The Committee noted the contents of the report.

(Reference: Report by Head of Strategic Finance, submitted, dated 26 September 2014)

### **15. AUDIT COMMITTEE DEVELOPMENT DAY ACTION PLAN**

The Committee considered a report which provided a progress update in respect of the Audit Committee Development Day Action Plan for 2014/15.

### **Decision**

The Audit Committee note the contents of the report.

(Reference: Report by Chief Internal Auditor, dated 26 September 2014, submitted)

### **16. DEVELOPMENT OF ASSURANCE MAPPING EXERCISE**

The Committee considered a report which set out the process which Grant Thornton, strategic advisors, and the internal audit team have adopted to map the Council's key risks, and the source and level of assurance that the Council receives on those risks.

Grace Scanlon asked the Committee for their views on the format of the assurance mapping exercise and a discussion was had on this.

The Vice Chair asked Audit Scotland for their view on the proposed format. Audit Scotland advised that the format is similar to what is used by other Councils within Scotland.

### **Decision**

The Committee noted the report and agreed that the format of the assurance mapping exercise may have to be revisited at a future meeting.

(Reference: Report by Grant Thornton, dated 3 September 2014, submitted)

### **17. AUDIT COMMITTEE EFFECTIVENESS: PRACTICAL GUIDANCE**

An introduction paper for discussion in relation to CIPFA's guidance on the function and operation of Audit Committees in local authorities which provides a view of best practice for audit committees in local authorities throughout the UK was considered.

The Committee discussed the Self Assessment of Good Practice which

was included in Appendix d. It was agreed that each member of the Committee should complete the Self-Assessment and return this to Internal Audit.

### **Decision**

The Committee agreed:-

1. to complete and return the Self Assessment of Good Practice to Internal Audit by 17 October 2014.
2. to hold an informal discussion on the results of the Self Assessment of Good Practice at 11am prior to the start of the next meeting of the Audit Committee.
3. to delay the start time of the next meeting to 12pm to allow for the informal discussion to take place at 11am.
4. to change the date of the next meeting from Friday 12 December to Friday 5 December.

(Reference: Report by Chief Internal Auditor, dated 26 September 2014, submitted)