

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 13 MARCH 2015**

Present: Martin Caldwell (Chair)

Councillor Gordon Blair	Councillor Richard Trail
Councillor Michael Breslin	Sheila Hill
Councillor Maurice Corry	

Attending: Steve Barrett, Head of Strategic Finance
Kevin Anderson, Chief Internal Auditor
Peter Cupples, Finance Manager
Fergus Murray, Head of Economic Development and Strategic Transport
Stewart Clark, Contracts Manager
Fergus Walker, Revenue and Benefits Manager
Graeme Forrester, Area Committee Manager
Grace Scanlin, Grant Thornton
Fiona Mitchell-Knight, Audit Scotland
Russell Smith, Audit Scotland
David Jamieson, Audit Scotland

1. APOLOGIES FOR ABSENCE

An apology for absence was intimated on behalf of Councillor Iain Angus MacDonald.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest

3. MINUTES

The Minutes of the Audit Committee of 5 December 2015 were approved as a correct record.

Land asset disposal had been discussed in detail at that meeting and processes for Area Committee decisions on disposal of land were considered. It was noted that reports considered by the Bute and Cowal Area Committee in recent months had not contained all the expected information.

Decision

The Committee noted the position and agreed to ensure that relevant reports were provided to the Area Committees as agreed.

4. VAT RISK REVIEW

The Committee considered the follow up report which set out the progress in respect of the action plan prepared following the initial KPMG review of VAT carried out in April 2013.

Decision

The Committee noted the contents of the report and that further updates would be provided once all action points were completed.

(Reference: Report by Interim Head of Strategic Finance dated 13 March 2015, submitted)

5. EMPLOYMENT TAX RISK REVIEW

The Council had asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's employment Tax accounting processes. The Committee considered a report which outlined any issues identified by KPMG and the procedures which had been put in place, or were in the process of being put in place, in order to reduce the level of risk.

Discussion took place on Councillors expenses, and what was deemed a Councillor's workplace for tax and NIC purposes, including travel and subsistence expenses incurred by Councillors travelling to Committee or sub-committee meetings.

Decision

The Committee;

- (i) noted the contents of the report;
- (ii) noted that further updates would be provided once all action points were completed; and
- (iii) agreed that it be brought to the attention of, and communicated to, Elected Members that the calculation for determining Councillors expenses was under review.

(Reference: Report by Interim Head of Strategic Finance dated 23 February 2015, submitted)

6. FINANCIAL STATEMENTS 2014 - 15

A report advising the Audit Committee on the plans in place for financial year end 31 March 2015 and the preparation of the Council's Financial Statements for 2014 – 15 was considered.

Decision

The Committee noted that plans were in place to prepare the Council's financial statements, consistent with the Accounting Code of Practice and to submit them to Council prior to 30 June 2015 in line with the Scottish Government's requirements.

(Reference: Report by Interim Head of Strategic Finance dated 13 March 2015, submitted)

7. INTERNAL AUDIT SUMMARY OF ACTIVITIES

The Committee considered a report which detailed the Internal Audit activity and progress during Quarter 4 against the following areas;

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

The selection process for identifying which schools had a School Fund check was discussed. It was noted that the work of the abolished NFI team would be taken over by CIPFA. Internal Audit was also praised for having an up to date Pyramid scorecard.

Decision

The Committee noted the content of the report.

(Reference: Report by Chief Internal Auditor dated 13 March 2015, submitted)

8. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2014 - 2015

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

Economic Development Officers provided background detail to the CHORD programme, from its remit to lessons learned, problems encountered and the steps undertaken to resolve these.

The Committee was reassured that at each Area Committee meeting, an Economic Development Officer, project manager or programme manager was present to help ensure that the Committee acted as a project board at local level.

External Auditors expressed their concern at the number of issues identified in the report with the CHORD programme. It was acknowledged that these were mostly historical, but that they would be looking at actions being taken by the Council to resolve these.

Discussion then took place on the issues surrounding Winter Maintenance, the procedures in place for informing the public of any road closures or route problems outside of core "office hours", the use of "RALF", satellite navigation systems on winter maintenance vehicles, the list of contractors to call on to meet statutory obligations and also the planned review to bring down maintenance costs to be more in line with the budget.

Decision

The Committee noted;

- (i) the contents of the report and detail within each individual report in respect of the following audits;
 - CHORD
 - Communications
 - Flood Risk Control
 - Fostering and Adoption
 - HomeCare – Contract Monitoring
 - Records Management Plan/ Information Security
 - Revenue & Benefits – Council Tax discount
 - Winter Maintenance;
- (ii) the concerns of the External Auditors regarding the issues identified within the CHORD programme; and
- (iii) that in 2014/15 External Audit would be monitoring the Oban CHORD project in part.

(Reference: Report by Chief Internal Auditor dated 13 March 2015, submitted)

9. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2014 - 2015

The Committee considered a report which documented the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit due for implementation by 31 January 2015.

Decision

The Committee noted the report.

(Reference: Report by the Chief Internal Auditor dated 13 March 2015, submitted)

10. ANNUAL AUDIT PLAN 2015/16

The Committee considered a report which introduced the Annual Audit Plan for financial year 2015/16.

Decision

The Committee agreed and approved the Annual Audit Plan 2015/16.

(Reference: Report by Chief Internal Auditor dated 13 March 2015, submitted)

11. EXTERNAL AUDIT PLAN 2014 - 15

A report summarising Audit Scotland's assessment of the key challenges and risks facing Argyll and Bute Council and setting out the audit work they propose to undertake covering the period 2014/15 was considered.

During discussion, the External Auditors explained the background to the increase in the agreed Audit fee for the 2014/15 audit of Argyll and Bute Council.

Decision

The Committee noted the contents of the report.

(Reference: Report by Audit Scotland, External Auditors dated March 2015, submitted)

12. AUDIT COMMITTEE DEVELOPMENT: ACTION PLAN

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

Decision

The Committee noted

- (i) the contents of the report; and
- (ii) that a summary report from the Effectiveness Session would be brought to the next meeting of the Committee.

(Reference: Report by Chief Internal Auditor dated 13 March 2015, submitted)

13. COUNTER FRAUD TEAM - BUSINESS CASE

The Committee considered a report which presented the case for the Council to create a new Counter Fraud Investigation Team (CFIT) in order to prevent and detect fraud in relation to the Council Tax Reduction Scheme (CTRS) and to fulfil the residual responsibilities in relation to SFIS.

During discussion, Members expressed their disappointment at the fact that the Fraud and Error Services (FES) would not be providing the evidence to support any adjudication required by the Council to investigate Council Tax Reduction (CTR) offences and therefore an investigation to obtain this evidence would have to be carried out by the Council. They hoped that there would be improvements in this area by the Department of Works and Pensions (DWP).

Decision

The Committee noted that;

- (i) the residual responsibilities for preventing and detecting fraud following the transfer to SFIS;
- (ii) the table at Item 4.13 should be amended to read “**Costs** of a Corporate Fraud Unit of 2 staff..”;and
- (iii) an updated version of the report would be presented at the next meeting of the Policy and Resources Committee on Thursday 19 March 2015.

(Reference: Report by Executive Director – Customer Services and Head of Strategic Finance dated 13 March 2015, submitted)

14. AUDIT COMMITTEE WORKPLAN

The Committee considered the outline work plan to facilitate forward planning of reports to the Audit Committee.

Decision

The Committee noted the Workplan and that;

- (i) a report on the Effectiveness Session would be brought to the next meeting of the Committee; and
- (ii) the External Audit Annual Report would be on the Agenda for the September 2015 meeting of the Committee and not the December 2015 meeting.

(Reference: Report by Executive Director – Customer Services dated March 2015, submitted)