

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 2 DECEMBER 2016**

Present: Martin Caldwell (Chair)

Councillor Michael Breslin Councillor Richard Trail
Councillor Iain Stewart MacLean Sheila Hill
Councillor Elaine Robertson

Attending: Pippa Milne, Executive Director of Development and Infrastructure Services
Kirsty Flanagan, Head of Strategic Finance
Kevin Anderson, Chief Internal Auditor
Graeme Forrester, Area Committee Manager
David McConnell, Audit Scotland
David Meechan, Audit Scotland

The Chair welcomed Councillor Elaine Robertson to her first meeting of the Audit Committee and welcomed the new Audit Scotland team members David McConnell and David Meechan.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated on behalf of Councillor Roderick McCuish.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest intimated.

3. MINUTES

The Minutes of the Audit Committee held on Friday 23 September were approved as a correct record.

4. EXTERNAL AUDIT

The new Audit Scotland team introduced themselves to the Committee stating that they are looking forward to working with Members and Officers over the period of their appointment, explained that initial contact had been established with Officers, and they are now working on tasks which include having completed their initial review of Internal Audit as is customary for new external audit teams. A plan will be produced and submitted to a forthcoming Audit Committee.

The key External Audit team Members are wishing to establish a more integrated approach to Best Value which will be reviewed on a cumulative basis with follow-up work carried out accordingly.

5. INTERNAL AUDIT SUMMARY OF ACTIVITIES

Consideration was given by Members to a report providing an update on Internal Audit activity during Quarter 3 against; 2016/17 Audit Plan progress; individual audits undertaken; Continuing Monitoring Programme testing; Internal Audit Development Plan and Performance Indicators.

Decision

The Audit Committee;

- i) noted the contents of the report; and
- ii) approved the rescheduling of the Waste Management Audit.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

At this point the Executive Director of Development and Infrastructure Services joined the meeting.

6. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2016 - 2017

Members of the Audit Committee considered a report providing detail in respect of the below nine audits;

- Procurement and Commissioning - Professional Electronic Commerce Online System (PECOS);
- Procurement and Commissioning - Off Contract Purchasing;
- TOTAL Roads Costing System;
- Debt Recovery and Write Off;
- Children's Units;
- Tax Incremental Financing;
- ICT;
- Property Maintenance; and
- All Weather Pitch Facilities.

The Chairman received the support of the Committee in noting the work of the Commissioning and Procurement Team in recognition of the high levels of assurance provided in the audits of PECOS and Off Contract Purchasing.

Motion

1. To note the content of the summary report and detail within each individual report; and
2. To bring the audit report on Tax Incremental Funding to the attention of the Performance Review and Scrutiny Committee.

Moved by the Chair, seconded by the Vice Chair.

Amendment

1. To note the content of the summary report and detail within each individual report with the exception of the audit report on Tax Incremental Funding;
2. To address the concerns of the elected members at the current status of the Lorn Arc TIF, this amendment proposes the following actions:

- i) No agreement should be reached on the report by the Chief Internal Auditor on today's agenda and the report should be remitted to special meeting as per point 2 below.
- ii) A special joint meeting should be called of both Audit and PRS committees prior to end January 2017 to enable full debate and scrutiny of this important project. This meeting should be held in Oban in a suitable public venue to allow public attendance. As at area committee meetings, the agenda should be structured in a manner that allows the public to ask questions.
- iii) Prior to this meeting, members of the Oban & Lorn area committee will be invited to submit written comment on the Lorn Arc project.
- iv) Prior to this meeting, officers will be asked to prepare a summary of each element of the Lorn Arc identifying strengths and weaknesses and rating the chances of full success of each element. This should include elements already abandoned as well as current and proposed.
- v) The papers for the special meeting will comprise:
 - a) The Chief Internal Auditor's report for today's meeting.
 - b) The written submissions of the Oban & Lorn Area Committee members.
 - c) The summary of each element of the project as per 4 above.
- vi) Members of the Oban & Lorn area committee will be invited to attend the special meeting proposed at 1 above so they can fully participate in the debate but with voting reserved to the members of Audit and PRS committees.
- vii) The recommendations coming from this meeting should be reported directly to the next meeting of the full council.

Moved by Councillor Michael Breslin, seconded by Councillor Iain S MacLean

Decision

On a show of hands vote, the Amendment received 2 votes and the Motion received 4 votes and the Committee resolved accordingly.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

At this point the Executive Director of Development and Infrastructure Services left and took no further part in the meeting.

At this point Councillor Breslin left the room and took no part in the discussion of item 7, returning for item 8 and the remainder of the meeting.

7. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW-UP 2016 - 2017

Consideration was given to a report and associated appendices detailing the results from a review by Internal Audit which documents the progress made by departmental management in implementing the recommendations made by both External and Internal Audit for recommendations due to be implemented by 31 October 2016.

Decision

The Committee noted the contents of the report.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

8. DRAFT ANNUAL AUDIT PLAN 2017 - 2018

A report introducing the draft Annual Audit Plan for the financial year 2017/18 was given consideration by the Committee.

Decision

The Committee;

- i) noted the proposed content of the report; and
- ii) agreed to feedback any comments to the Chief Internal Auditor.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

9. RISK MANAGEMENT OVERVIEW

The Audit Committee considered a report provided as an update in relation to the undernoted risk management areas of activity;

- Strategic Risk Register;
- Operational Risk Registers;
- CIPFA Benchmarking;
- Annual Assurance Statement review;
- Annual review of Policy, Strategy and Guidance; and
- Risk Management Action Plan.

Decision

The Committee;

- i) noted the contents of the report; and
- ii) noted the continued progress in respect of integrating and embedding risk management.

(Reference: Report by Head of Strategic Finance dated 2 December 2016, submitted)

10. VAT UPDATE REPORT

At the Council's request the tax consultants KPMG carried out a VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes. A report outlining issues identified by KPMG and procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk was given consideration by the Audit Committee.

Decision

The Audit Committee noted the report.

(Reference: Report by Head of Strategic Finance dated 2 December 2016, submitted)

11. AUDIT COMMITTEE DEVELOPMENT PLAN

Members of the Audit Committee considered a report providing an update in progress and planned activity in respect of the Audit Committee Development Plan.

Decision

The Committee noted the contents of the report and the proposed action plan.

(Reference: Report by Vice-Chair of the Audit Committee dated 2 December 2016, submitted)

12. AUDIT COMMITTEE WORKPLAN 2016 - 2017

In order to facilitate forward planning of reports to the Committee, Members considered the outline Audit Committee workplan.

Decision

The Committee noted the workplan.

(Reference: Audit Committee Workplan dated 2 December 2016, submitted)