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MINUTES of MEETING of AUDIT AND SCRUTINY COMMITTEE held in the COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on TUESDAY, 20 MARCH 2018

Present: Martin Caldwell (Chair)

Councillor Jim Findlay	Councillor Sandy Taylor
Councillor George Freeman	Councillor Andrew Vennard
Councillor Alan Reid	

Attending: Shona Barton, Area Committee Manager
Kirsty Flanagan, Head of Strategic Finance
Jane Fowler, Head of Improvement & HR
Laurence Slavin, Chief Internal Auditor
Sonya Thomas, Performance Management & Improvement Officer
Lisa Bond, HR Officer
Daniel Galbraith, Team Leader
Leanne Rennie, Audit Assistant
David Meechan, Audit Scotland
David McConnell, Audit Scotland

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated on behalf of Councillor Sir Jamie McGrigor.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest intimated.

3. MINUTES

The Minutes of the Audit and Scrutiny Committee, held on 1 December 2017 were approved as a true record.

4. INTERNAL AUDIT SUMMARY OF ACTIVITIES

The Committee gave consideration to a report providing a summary of Internal Audit activity and progress during Quarter 4 against a number of areas, which included:

- 2017/18 Audit Plan Progress;
- Individual Audits undertaken;
- Continuous Monitoring Programme Testing; and
- Performance indicators

Decision:

The Committee agreed to endorse the report.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

Councillor Sandy Taylor left the meeting at 11.43am.

5. INTERNAL AUDIT REPORTS TO AUDIT & SCRUTINY COMMITTEE

The Committee gave consideration to a report containing the action plans in relation to the following 4 audits:

- Earmarked Reserves;
- Catering – Compliance with Nutritional Guidelines;
- Rural Resettlement Fund; and
- Leisure Management Booking System

Decision:

The Committee endorsed the summary report and detail within each individual report.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

6. INTERNAL AUDIT REPORT FOLLOW UP 2017-18

The Committee gave consideration to a report and accompanying appendices which documented the results from a review performed by Internal Audit into the progress made by departmental management across all services in completing actions which were due to be implemented by 31 December 2017.

Decision:

The Committee endorsed the content of the report.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

7. 2018/19 INTERNAL AUDIT ANNUAL PLAN

The Committee gave consideration to a report introducing the 2018/19 Internal Audit Annual Audit Plan. The Committee noted that in December and January, the Chief Internal Auditor presented the draft plan, which had previously been presented to the Committee at its meeting on 1 December 2017, to the Council's three Departmental Management Teams and the Strategic Finance Management Team to obtain feedback on the proposed reviews. Members noted that these, and further discussions with appropriate officers, have resulted in changes between the draft plan and final plan.

Decision:

The Committee agreed:

1. to note the changes between the draft 2018/19 Internal Audit annual plan, presented to Committee in December 2017 and the proposed final 2018/19 plan (as per Appendix 1 of the report); and
2. to approve the Internal Audit Annual Plan 2018/19 (as per Appendix 2 of the report).

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

8. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL

The Committee gave consideration to a report outlining the proposed changes to the Internal Audit Charter and Internal Audit Manual, which have been updated to reflect changes in the working practices within Internal Audit and to better align them with the requirement of the Public Sector Internal Audit Standards (PSIAS).

Decision:

The Committee agreed:

1. to approve the amended Internal Audit Charter; and
2. to approve the amended Internal Audit Manual

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

9. DRAFT ANNUAL AUDIT PLAN 2017/18

The Committee gave consideration to the draft Annual Audit Plan 2017/18 from Audit Scotland. The plan included information on the risks, scope and timing of planned work.

Discussion took place in respect of the developing financial position of the Argyll and Bute Integration Joint Board with Members expressing concern as to the potential impact on the Council in the future.

Decision:

The Committee endorsed the report.

10. SCRUTINY FRAMEWORK

The Committee gave consideration to a report presenting the proposed scrutiny framework incorporating the scrutiny prioritisation process and the proposed terms of reference for the scrutiny aspect of the Audit and Scrutiny Committee.

Decision:

The Committee agreed:

1. to approve the scrutiny framework, incorporated scrutiny prioritisation process and the terms of reference which will be appended to the existing terms of reference for the audit aspect of the Audit and Scrutiny Committee;

2. noted the Chief Internal Auditor's (CIA) intention to develop more detailed guidance manuals to help deliver scrutiny reviews;
3. agreed the next steps to develop the annual scrutiny work programme; and
4. noted the CIA's intent to consider the most effective way to resource the scrutiny work plan going forward.

(Ref: Report by Chief Internal Auditor, dated 20 March 2018, submitted.)

11. COUNCIL PERFORMANCE REPORT - APRIL TO SEPTEMBER 2017

The Committee gave consideration to a report presenting the Council's performance report with associated scorecard for performance for FQ1 and FQ2 – April to September 2017.

Decision:

The Committee:

1. reviewed the Council's report and scorecard as presented for the purposes of scrutinising the Council's performance; and
2. noted the changes following the implementation of the Performance Improvement Framework and planned improvements for 2018/19.

(Ref: Report by Executive Director of Customer Services, dated 20 March 2018, submitted.)

12. RISK MANAGEMENT OVERVIEW

The Committee gave consideration to a report which provided members with an update on the actions to further strengthen the Council's approach to risk management and also confirmed that a more detailed report would be brought to the Audit and Scrutiny Committee in 2018 to provide assurance over the management of risk across the Council.

Decision:

The Committee endorsed:

1. the content of the report
2. the revisions being made to the risk management process
3. the intention of the CIA to review the risk management manual to reflect agreed revisions and other appropriate amendments
4. that the Chief Executive will report to the Audit and Scrutiny Committee on the Council's Strategic Risks at the June Committee.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

13. AUDIT SCOTLAND REPORT - FINANCIAL OVERVIEW 2016-17

The Committee gave consideration to a report summarising the key points from Audit Scotland's Financial Overview 2016-17 report, which included commentary alongside the questions for Councillors to consider.

The Committee noted the concerns over the demographic pressures faced by our IJB in an area of dispersed geography with our 25 populated inhabited islands and that this could influence the ability of our IJB to increase the level of reserves in upcoming years.

Decision:

The Committee agreed to note the key points from the Audit Scotland Financial Overview 2016-17 and the comments included in Appendix 1 alongside the suggested questions for Councillors.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

14. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

The Committee gave consideration to a report providing the Treasury Management Strategy Statement and Investment Strategy to the Audit and Scrutiny Committee for scrutiny.

Decision:

The Committee:

1. endorsed the approved Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within;
2. noted the use of Option 1 (statutory method) for the repayment of loan fund advances up to 31 March 2021 at an interest rate of 4.423%, with the exception of spend to save schemes where Option 4 (funding/income profile method) will be used; and
3. noted the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by Link Asset Services.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

15. UNAUDITED ANNUAL ACCOUNTS 2017-18

The Committee gave consideration to a report advising on the plans in place for financial year end 31 March 2018, and the preparation of the Council's Unaudited Annual Accounts for 2017-18.

Decision:

The Committee agreed to note that plans are in place to prepare the Council's Annual Accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2018 in line with the Scottish Government's requirements.

(Ref: Report by Head of Strategic Finance, dated 20 March 2018, submitted.)

16. AUDIT AND SCRUTINY COMMITTEE WORKPLAN

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

Decision

The Committee noted the workplan.

(Reference: Audit Committee Workplan dated 20 March 2018, submitted)