

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 14 DECEMBER 2007**

Present:

Mr Ian M M Ross (Chair)

Councillor Gordon Chalmers
Councillor Ron Simon

Dr Christopher Valentine

Attending:

Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
David Clements, Performance Manager
Lyndis Davidson, Performance Management Officer
Gary Devlin, Grant Thornton UK
Steven Vallely, Grant Thornton UK

Apologies:

Councillor Mary-Jean Devon
Councillor Roderick McCuish

Councillor Bruce Marshall

The Chair ruled and the Committee agreed to vary the order of the business so that the report entitled "External Audit Report – Best Value" could be considered after item 4 "Audit Interim Management Report".

1. DECLARATIONS OF INTEREST (IF ANY)

None.

2. MINUTES

The Minutes of the Audit Committee meeting held on 20 September 2007 were approved as a correct record.

3. AUDITED ACCOUNTS 2006/2007 AND EXTERNAL AUDIT REPORT

The External Auditors, Grant Thornton UK, LLP have completed their audit of the Council's accounts for the year to 31 March 2007. The audited accounts incorporating the audit certificate and the external audit report 2006-2007 were before the Council for consideration on 30 November 2007. The Audit Certificate contained no qualifications and external audit report highlighted key issues for the attention of Members.

Decision

1. To note the audited accounts, the terms of the audit certificate and the external audit report; and
2. Agreed that the Audit Committee will continue to monitor the action plans agreed in the response to individual audit reports that have been issued during the year.

(Reference: Report by Head of Strategic Finance dated 22 November 2007, Report on the 2006-2007 Audit dated 31 October 2007 and Accounts for the period 1 April 2006 to 31 March 2007, submitted).

4. AUDIT INTERIM MANAGEMENT REPORT 2006-2007

The Council is required to have arrangements in place for ensuring propriety, regularity and Best Value in their stewardship of public funds. It is the responsibility of management to ensure that adequate internal controls are in place which ensure that resources are applied to the activities intended, deter fraud and irregularity and ensure the most effective use of resources. As part of their 2006-2007 Audit, the Council's external auditors reviewed the adequacy of the Council's internal control framework in the following areas: arrangements for the effective governance and stewardship; and the operation and effectiveness of key controls over financial systems to support their opinion on the accounts. The external auditors interim management report was before the Committee for consideration.

Decision

To note the contents of the report.

(Reference: Interim Management Report dated 31 October 2007 by Grant Thornton UK LLP, External Auditors, submitted)

5. EXTERNAL AUDIT REPORT – BEST VALUE

The Council received a full best value audit in 2005, with the report published in February 2006. In May 2006 the Council published an Implementation and Development Plan outlining how it would seek to improve its best value performance. A report, which was presented to the Executive on 18 October 2007, outlining the key findings from Audit Scotland's first follow-up review following publication of the Audit Scotland report was before the Audit Committee for information.

Decision

To note the report and the action plan attached to the report.

(Reference: Report by Head of Strategic Finance dated 9 October 2007, submitted).

6. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2007-2008

An interim progress report advising Members of the progress against the Annual Audit Plan up to 16 November 2007 was considered.

Decision

To note the terms of the report and approve the progress made with the Annual Audit Plan for 2007-2008.

(Reference: Report by Internal Audit Manager dated 21 November 2007, submitted)

7. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2007-2008

The Committee considered a report detailing the results from a review performed by Internal Audit on recommendations due to be implemented by 30 September 2007.

Decision

To note the contents of the report and that they will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 21 November 2007, submitted).

8. RISK MANAGEMENT REPORT

A report outlining progress with the implementation of the Council's Risk Management and Business Continuity Strategy was considered.

Decision

To note the terms of the report.

(Reference: Report by Governance and Risk Manager dated 22 November 2007, submitted)

9. SUMMARY OF QUARTERLY PERFORMANCE REPORTS

A report providing a summary of the Service Quarterly reports for the period July to September 2007 consisting of the exceptional performance sections only was considered. The Committee were also advised of progress with the implementation of the new Performance Management System (Pyramid)

Decision

1. To note the Service performance in the report;
2. To note that the Head of Democratic Services and Governance would advise the Head of Legal and Protective Services of the Committee's concern that no performance data was being provided against Animal Health and Welfare; and
3. To note that the Pyramid Team had now seconded 3 staff full time (one each from Community Services, Development Services and Operational Service) for up to 2 years from the beginning of December 2007 to progress the implementation of the Performance Management System and that Corporate Services had provided office accommodation for the Pyramid Team;

(Reference: Report by Chief Executive's Unit, submitted)

10. POST COMPLETION AUDIT REVIEWS

At the last Audit Committee on 20 September 2007 the Head of Strategic Finance was requested to bring forward a report outlining arrangements for post completion reviews on capital projects. A report detailing the proposals being put in place was considered.

Decision

1. To note the proposals currently being put in place and outlined in the report; and
2. Agreed that the Committee should be involved in the selection process of projects to be reviewed.

(Reference: Report by Head of Strategic Finance dated 28 November 2007, submitted).

11. BRIEFING NOTE ON PERFORMANCE OF STRATHCLYDE PENSION FUND - JUNE 2007

A report giving an update on the performance of Strathclyde Pension Fund as at 30 June 2007 was considered.

Decision

1. To note the contents of the report; and
2. To note that once an update on performance of the Fund as at 30 September 2007 was available the Head of Strategic Finance would circulate this to the Committee.

(Reference: Report by Head of Strategic Finance, submitted).

12. LEGAL SERVICES UPDATE

A report advising of progress with the Best Value Review of Regulatory Components of Legal and Protective Services and related management support was considered.

Decision

To note the contents of the report.

(Reference: Report by Head of Legal and Protective Services, tabled)

13. KPMG REPORT

A report detailing the activity of KPMG further to the internal audit partnering agreement since the Audit Committee held on 20 September 2007 was considered.

Decision

To note the activities undertaken as detailed in the report.

(Reference: Report by KPMG dated 5 December 2007, submitted).

14. (a) INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2007-2008

A report detailing executive summaries and action plans (where applicable) for finalised audit work was before the Committee for consideration.

Decision

1. To note the contents of the report and that these will be followed up by Internal Audit; and
2. To congratulate ICT and Financial Services for the positive outcome of an audit carried out on Council Tax and Non-Domestic Rates.

(Reference: Report by Internal Audit Manager dated 21 November 2007, submitted).

The Committee resolved in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 6 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

14. (b) INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2007-2008

As part of the Audit Plan for 2006-2007, Internal Audit agreed to undertake an audit of the systems and procedures for Partnership Funding and the Council's procurement of tourism services through VisitScotland was chosen. A report detailing the outcome of this audit was before the Committee for consideration.

Decision

To note the contents of the report.

(Reference: Report by Internal Audit Manager dated November 2007, submitted).