

**MINUTES of MEETING of the AUDIT COMMITTEE held in the MEMBERS ROOM, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 12 DECEMBER 2008**

**Present:**

Mr Ian M M Ross (Chair)

Councillor Mary Jean Devon  
Councillor Gordon Chalmers  
Councillor Roderick McCuish

Councillor Andrew Nisbet  
Dr Christopher Valentine

**Attending:**

Bruce West, Head of Strategic Finance  
Iain Jackson, Governance and Risk Manager  
Ian Nisbet, Internal Audit Manager  
Moir Weatherstone, Trainee Accountant  
David Clements, Performance Manager  
Gary Devlin, Grant Thornton UK LLP, External Auditors

**Apology:**

Councillor Bruce Marshall

The Chair welcomed Councillor Andrew Nisbet to his first meeting of the Audit Committee and took the opportunity of thanking Councillor Ron Simon for his contribution to the Committee over the last year.

**1. DECLARATIONS OF INTEREST**

None declared.

**2. MINUTES**

The Minutes of the Audit Committee meeting held on 19 September 2008 were approved as a correct record.

**3. AUDIT COMMITTEE SELF REVIEW AND WORK PLAN**

Grant Thornton UK LLP, External Auditors, recently evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the CIPFA guidance of 2004 entitled "Audit Committee principles in local authorities in Scotland: a guidance note" and found that the Audit Committee operated effectively and complied with the majority of good practice principles outlined in the CIPFA guide. Grant Thornton UK LLP provided recommendations in their resultant Interim Management Report of 30 September 2008 and identified areas of development for the Audit Committee namely, self assessment and the establishment of an annual work plan. A report setting out a self assessment checklist and work plan framework for the Audit Committee was considered.

**Decision**

1. To agree to consider further the work and training plan, terms of reference and self assessment exercise at a separate meeting out with the cycle of

Audit Committee meetings, to be arranged by the Head of Strategic Finance and facilitated by KPMG;

2. To agree that a draft of the Audit Committee Annual report will be considered by the Committee at their June meeting with the final report submitted to their September meeting for approval; and
3. To note that arrangements had still to be finalised for a visit to East Renfrewshire Audit Committee.

(Reference: Report by Internal Audit Manager, submitted)

#### **4. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2008-2009**

Audit Scotland issued an Accounts Commission report in November 2008 entitled "The impact of the race equality duty on council services". The key messages from this national report were before the Committee for consideration.

##### **Decision**

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

(Reference: Report by Internal Audit Manager, submitted)

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

A report detailing report summaries and action plans 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 note that the report on tendering will be brought to a future meeting of the Committee.

(Reference: Report by Internal Audit Manager, submitted)

#### **6. AUDIT COMMITTEE DRAFT TERMS OF REFERENCE**

Grant Thornton UK LLP, External Auditors, recently evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the CIPFA guidance of 2004 entitled "Audit Committee principles in local authorities in Scotland: a guidance note". The evaluation determined that although the Audit Committee Terms of Reference presently met many of the best practice guidelines set out under CIPFA guidance, further improvements could be made. A report introducing draft Terms of Reference for review was considered.

##### **Decision**

1. To agree the Audit Committee's draft Terms of Reference attached to the report subject to the following amendments and to request the Director of Corporate Services to include these in the revised Council Constitution to go to the Council for approval:-
  - (a) that a section on Performance should be included in the Terms of Reference and that under this section the following statement should be added – "To promote good management practice within the Council";
  - (b) To amend paragraph 4 under the Regulatory Framework section to read "To oversee the production of the Council's Statement of Internal Control"; and
2. To agree that the Terms of Reference will be reviewed annually by the Committee.

(Reference: Report by Internal Audit Manager, submitted)

## **7. PERFORMANCE MANAGEMENT QUARTERLY REPORT**

A report providing a summary of the Service quarterly reports for the period July to September 2008, consisting of exceptional performance sections only was considered.

### **Decision**

1. To note the contents of the report and that a further report will be brought to the next meeting of the Committee;
2. To note that the Personnel Services report referred to under the section headed up Chief Executive's Unit, had been received and that there were no exception reports; and
3. To note that the Chair and Vice Chair of the Committee will be meeting with the Chief Executive in the New Year to discuss performance management and that the outcome of this meeting will be reported to the next meeting of the Committee.

(Reference: Report by Policy and Strategy Manager dated 2 December 2008, submitted)

## **8. PYRAMID PROGRESS REPORT**

A report advising on progress with the implementation of the performance management system, Pyramid, was considered.

### **Decision**

1. To note the progress to date with the implementation of Pyramid; and
2. To agree to invite the Head of Strategic HR to the next meeting of the Audit Committee to advise on progress with implementing the new reporting mechanism for absence monitoring.

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

## **9. EXTERNAL AND INTERNAL AUDIT FOLLOW UP 2008-2009**

The Committee considered a report detailing the results from a review performed by Internal Audit on recommendations due to be implemented by 30 September 2008.

### **Decision**

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

(Reference: Report by Internal Audit Manager dated 19 November 2008, submitted)

## **10. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2008-2009**

A report advising on progress with the Annual Audit Plan for 2008-2009 was considered.

### **Decision**

To approve the progress made with the Annual Audit Plan for 2008-2009.

(Reference: Report by Internal Audit Manager, submitted)

## **11. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY**

A presentation and report updating the Committee on progress being made with the implementation of the Council's Risk Management and Business Continuity Strategy was considered.

### **Decision**

1. To note the contents of the report and thank the Governance and Risk Manager for his very interesting and informative presentation; and
2. To note that the Audit Committee will be invited to observe the testing of the departmental recovery plans in the New Year.

(Reference: Report by Governance and Risk Manager dated 28 November 2008, submitted)

## **12. ANNUAL ACCOUNTS 2007-2008**

The external auditors, Grant Thornton UK LLP, have completed their audit of the Council's accounts for the year to 31 March 2008. The audited accounts incorporating the audit certificate and the external audit report for 2007-2008 were before the Council for consideration on 27 November 2008. The audit certificate contained no qualifications and external audit 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;
2. To agree to continue to monitor the action plans agreed in the response to the individual audit reports that have been issued during the year;
3. To note that the Head of Strategic Finance will prepare a report for the next meeting of the Committee advising on the steps being taken by the Council to move to International Financial Reporting Standards (IFRS) and the implications of this move;
4. To note that Gary Devlin will arrange to provide to the Audit Committee the key highlights of the External Auditors IFRS training event.

(Reference: Report by Head of Strategic Finance dated 4 November 2008, Report on the 2007-08 Audit dated 31 October 2008 and Accounts for the period 1 April 2007 – 31 March 2008, submitted)