

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 11 DECEMBER 2009**

Present:

Ian M M Ross (Chair)

Councillor Gordon Chalmers
Councillor Andrew Nisbet

Christopher Valentine

Attending:

Iain Jackson, Governance and Risk Manager
Bruce West, Head of Strategic Finance
Jane Fowler, Head of Improvement and HR (for items 7 and 9)
Lisa Bond, Strategic HR Officer (for item 9)
Carol Keeley, Emergency Planning Officer (for item 8)
Alan Brough, Exchequer Manager (for items 4 and 5)
Kate Connelly, Operations Manager – Trading Standards (for item 6)
Alex Colligan, Internal Audit Manager
Gary Devlin, Grant Thornton UK LLP, External Auditors

The Chair ruled, and the Committee agreed, to consider the business dealt with at item 20 of this Minute as a matter of urgency by reason of the need for the Service to progress with actions identified by the External Auditors in their 2008/2009 Audit Report.

The Chair ruled, and the Committee agreed, to vary the order of business to allow Officers to deal with other commitments following presentation of their reports at the meeting.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Devon, Kinniburgh and Councillor Robb.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

The Minutes of the Audit Committee meeting held on 18 September 2009 were approved as a correct record subject to the following amendment:-

The sentence immediately before item 16 of the Minutes should read “Councillor Chalmers left the meeting at 4.00 pm”.

4. E-PROCUREMENT SCOTLAND

The Audit Committee, at its meeting on 18 September 2009, requested that a report be prepared providing a note of the general development with e-procurement and an update on the PECOS system used by the Council which was now before the Committee for consideration.

Decision

Noted the progress made to date on electronic procurement and the potential for further efficiency within the purchase to pay process.

(Reference: Report by Exchequer Services Manager dated 23 November 2009, submitted)

5. AUDIT SCOTLAND - IMPROVING PUBLIC SECTOR PURCHASING

The Audit Scotland report entitled "Improving Public Sector Purchasing" provides an overview of the Public Procurement Reform Programme in Scotland which followed publication of the McClelland Report in 2006. The Audit Scotland report makes a substantial list of recommendations, aimed at the Scottish Government, the Centres of Expertise and individual public bodies and a report outlining the Council's position in respect of each of the recommendations for individual organisations was considered.

Decision

1. Noted the contents of the report; and
2. Agreed to request the Exchequer Services Manager to bring a report to the next meeting on 5 March 2010 detailing the cashable and non cashable procurement savings achieved each year since 2004/05.

(Reference: Report by Exchequer Services Manager dated 25 November 2009, submitted)

6. BEST VALUE REVIEW OF PROTECTIVE SERVICES AND LICENSING

The Best Value Review of Protective Services and Licensing was approved by the Council in February 2009 and a report providing an update on progress on the work of this review was before the Committee for consideration.

Decision

1. Noted the Committee's concern at the slippage in the timescale in delivering the Best Value Review; and
2. Agreed to request the Head of Legal and Protective Service to bring a report to the next meeting on 5 March 2010 detailing actual progress made with the delivery of the Best Value Review.

(Reference: Report by Head of Legal and Protective Services dated December 2009, submitted)

7. IMPLICATIONS OF BEST VALUE 2 WITHIN THE COUNCIL

The Accounts Commission published a consultation paper on Best Value 2

(BV2) in May 2009 which identified the proposed characteristics of a BV2 and sought views on the proposals. Following the consultation process the Accounts Commission identified 5 pathfinder BV2 Councils: Highland, Borders, East Ayrshire, Dundee and Angus and these Councils are currently undergoing an assessment and review process against the BV2 criteria. The findings of this process are being collated and will form the basis for guidance and preparation of a series of toolkits for Councils to use in the BV2 process. A report informing the Audit Committee on the implications for the Council presented by BV2 was considered.

Decision

Noted the progress being made by the Council in preparation for BV2.

(Reference: Report by Head of Improvement and Strategic HR, submitted)

8. AUDIT SCOTLAND REPORT - IMPROVING CIVIL CONTINGENCIES PLANNING

The Audit Committee, at its meeting on 18 September 2009, considered a recently published Audit Commission report entitled "Improving Civil Contingencies in Planning" and requested that the Emergency Planning Officer prepare a report for the next meeting advising on what the key issues for the Council were in terms of meeting its duties under the Civil Contingencies Act 2004, including completion of the self assessment checklist detailed at Appendix 2 of the Audit Commission report.

This report was now before the Committee for consideration.

Decision

Noted the contents of the report and approved the response for submission to the Accounts Commission subject to the following amendments:-

- a) Action 7 of the self assessment form should also include a "X" under the heading "In place but needs improvement" with reference made that this applies to Business Continuity Planning and that the "X" under the heading "In place and working well" should make reference to this applying to Emergency Planning; and
- b) The words "expected to" should be removed from the comments detailed at Action 13.

(Reference: Report by Chief Executive dated 18 November 2009, submitted)

9. ABSENTEEISM AND STRESS AND RECRUITMENT AND RETENTION

A report produced in response to a request from the Audit Committee of 26 June 2009 to report on HR policies and procedures relating to absenteeism and stress and recruitment and retention of staff was considered.

Decision

Noted and approved the contents of the report subject to the following suggestions made by the Committee being further investigated and reported back to the Committee in 6 months time:-

- a) Absence figures being reported within Pyramid on a moving annual average basis rather than quarterly basis;
- b) The target of 7.6 days lost per employee be revised depending on whether or not the employee is office based or a manual worker;
- c) In respect of the “unknown” category of absence – clarification sought on whether or not this could be reported more accurately; and
- d) Amendment of typographical error at paragraph 3.6.3 of the report - “complaint” should be “compliant”.

(Reference: Report by Head of Improvement and Strategic HR, submitted)

10. AUDIT OF BEST VALUE - COMMUNITY PLANNING - FOLLOW UP

A report on the Audit of Best Value and Community Planning was published in February 2006 by the Accounts Commission and the Commission agreed to require a further report on the best value audit of Argyll and Bute Council as at 31 December 2007. This report was issued in December 2008 and the Commission acknowledged that the Council had made progress in a number of key areas, including corporate leadership and strategic direction, but concluded that overall there was a clear need to increase the pace of change and ensure a number of systems and processes for supporting best value were successfully implemented.

As part of their 2008 – 2009 audit, Grant Thornton UK LLP, the Council’s External Auditors followed up the progress made by the Council in addressing the improvement agenda and prepared a response to the 2008 best value audit which was before the Committee for consideration. The audit covered the following key areas: an evaluation of progress in achieving Improvement Plan objectives; an assessment of the overall achieved improvement to date; and an assessment of the prospects for future improvement.

Decision

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

(Reference: Report Grant Thornton UK LLP dated 18 November 2009, submitted)

The Chair ruled, and the Committee agreed, to adjourn the meeting at 1.15 pm for lunch

The Committee reconvened at 1.40 pm.

11. AUDITED ACCOUNTS 2008/2009 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 2009. The audited accounts incorporating the audit certificate and the external audit report for 2008 – 2009, which were previously before the Council on 27 November 2009 were before the Audit Committee for consideration. The audit certificate contains no qualifications and the external audit report highlights key issues for the attention of Members.

Decision

Noted the audited accounts, the terms of the audit certificate and the external audit report and that the Audit Committee will monitor the action plans agreed in response to individual audit reports that have been issued during the year.

(Reference: Report by Head of Strategic Finance dated 5 November 2009, 2008 – 2009 Annual Accounts, and Report on the 2008 – 2009 Audit by Grant Thornton UK LLP dated October 2009, submitted)

12. ADDICTION SERVICES - ADDITIONAL BUDGET INFORMATION

The Audit Committee, at their meeting on 18 September 2009, considered a report detailing progress made by the Council against the recommendations of the Audit Commission (2009) report entitled "Drug and Alcohol Services in Scotland" and requested a further report detailing a breakdown of expenditure incurred on alcohol and addiction services by both Argyll and Bute Council and NHS Highland, including staffing and administration costs. A report expanding on expenditure on addiction services provided by Argyll and Bute Council and NHS Highland via the Argyll and Bute Community Health Partnership was before the Committee for consideration.

Decision

Noted the contents of the report and that the Needs Assessment requested by the Audit Committee at its meeting on 18 September 2009 is expected to be presented to the Committee in September 2010.

(Reference: Report by Director of Community Services, submitted)

13. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY

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

Decision

Noted the terms of the report.

(Reference: Report by Governance and Risk Manager, submitted)

14. REPORT ON TENDERING PROCEDURES

The Audit Committee, at its meeting on 18 September 2009, agreed to continue

consideration of the report on Tendering Procedures to allow for further information to be provided in respect of the first finding and recommendation. A report providing a further explanation of recommendation one as contained in the report issued in August 2009 was considered.

Decision

Noted the contents of the report.

(Reference: Report by Internal Audit Manager, submitted)

15. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2009 - 2010

An interim progress report covering the audit work performed by Internal Audit up to 13 November 2009 was considered.

Decision

Approved the progress made with the Annual Audit Plan for 2009 – 2010.

(Reference: Report by Internal Audit Manager, submitted)

16. AUDIT COMMITTEE TRAINING DAY - 29 MAY 2009

In addressing the CIPFA 2004 guidance the Audit Committee decided on 29 May 2009 to request KPMG LLP, the Council's Internal Audit Partners to facilitate a training day. A subsequent report was produced by KPMG LLP and presented to the Audit Committee for their review on 18 September 2009. A report advising on the Audit Committee meeting agenda, which details the issues to be reviewed by the Committee throughout the year, and on additional actions identified from the training day which are not captured in the draft meeting agendas, along with an agreed delivery timetable to ensure that these actions are addressed was considered.

Decision

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

(Reference: Report by Internal Audit Manager, submitted)

17. AUDIT SCOTLAND REPORTS TO AUDIT COMMITTEE

A report advising of the key messages of recently published Audit Commission Reports entitled "An overview of the audits of Best Value and Community Planning Making an impact" and "Scotland's public finances – Preparing for the future" was considered.

Decision

1. Noted the contents of the report and that these will be followed up by

Internal Audit; and

2. Agreed to request that the Head of Improvement and HR bring a report to the next meeting on 5 March 2010 detailing the process for carrying out Best Value Reviews and determining when these should be carried out and to investigate a mechanism for Member involvement during these Reviews.

(Reference: Report by Internal Audit Manager, submitted)

18. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2009 - 2010

The Committee considered a report detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 30 September 2009.

Decision

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

(Reference: Report by Internal Audit Manager, submitted)

19. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2009 - 2010

A report detailing final report summaries and action plans from recent audits was considered.

Decision

1. Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-

Treasury Management
Leader Funding
Leisure Stock Control System
Statutory Performance Indicators 2008/09
Debtors
Benefit Fraud

2. Agreed that the process of drawing up tenders should be the subject of a future Internal Audit; and
3. Agreed that Treasury Management should be included within the Council's Risk Register.

20. SERVICE REVIEW OF INTERNAL AUDIT

A report outlining the reasons for undertaking a service review of internal audit and the proposed scope and timescale of such a review was considered.

Decision

Agreed the proposed service review as outlined in the report and that an interim

progress report would be brought to the Audit Committee on 5 March 2010.

(Reference: Report by Head of Strategic Finance dated 7 December 2009, tabled)