

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 2 SEPTEMBER 2005**

Present: Gary Mulvaney (Chair)

Councillor Donald MacMillan	Councillor Elaine Robertson
Ian M M Ross	Councillor John Tacchi
Christopher Valentine	

Also Present: Councillor William Petrie

Attending: Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Stewart Turner, Head of Roads and Amenity Services
Ian Nisbet, Internal Audit Manager
Steve Keightley, KPMG
Jim Cumming, Audit Scotland
David Jamieson, Audit Scotland

Apologies: Councillor John McAlpine

The Chair welcomed everyone to the meeting and extended a special welcome to David Jamieson and Jim Cumming from Audit Scotland.

The Chair ruled and the Committee agreed to consider agenda item 8 – Recent External Audit Reports 2004 – 2005 after the Minutes.

1. MINUTES

The Minutes of the Audit Committee of 3 June 2005 were approved as a correct record subject to the following amendment:

The decision at item 2 “Strathclyde Pension Fund – Further Information” should read

- 1) To note the contents of the report;
- 2) To note that an officer had been appointed to maintain a watching brief over the Strathclyde Pension Fund; and
- 3) To note that a further report would be brought to the Audit Committee in December 2005.

Christopher Valentine joined the meeting.

2. RECENT EXTERNAL AUDIT REPORTS 2004-2005

A report containing an Executive Summary and Action Plan for new reports issued by Audit Scotland since the last Audit Committee together with details of the progress made by management on implementing the report recommendations was considered.

Decision

- 1) To note the contents of the report and request that this be followed up by Internal Audit;
- 2) To note that as at 8 August 2005 out of the 7 recommendations contained in the Action Plan for the report entitled "Information Management Review", only one remained to be implemented and it was expected that this would be implemented by September 2005;
- 3) To note that Audit Scotland has issued a report in April 2005 entitled "Improving Customer Service Through Better Customer Contact" and that once an approach to identifying those report findings that require implementation was defined, Internal Audit would report back to the Audit Committee; and
- 4) To note that implementation of all 9 recommendations contained within the Action Plan for the report entitled "Web Overview" was progressing to timetable.

(Ref: Report by Internal Audit Manager dated 18 August 2005, submitted).

3. STRATHCLYDE PENSION FUND

A proposed response to a Consultation Document received from Glasgow City Council that reshapes representation within the Strathclyde Pension Fund was considered by the Strategic Policy Committee on 11 August 2005.

Decision

To note that

- 1) the Strategic Policy Committee had agreed the proposed response to the consultation document and that comments received from the Chair and Vice Chair of the Audit Committee had been noted; and
- 2) a further report would be brought to the next meeting of the Audit Committee.

(Ref: Extract of Minute of the Strategic Policy Committee of 11 August 2005, submitted and report to SPC by Head of Strategic Finance dated 3 August 2005, tabled).

4. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2005-2006

The Committee were asked to give consideration to an interim progress report which had been prepared regarding the audit work performed by Internal Audit up to 22 July 2005.

Decision

The Audit Committee agreed

- 1) To approve the progress made with the Annual Audit Plan for 2005-2006;

and

- 2) To request that Internal Audit look at including the Licensing Section of the Council in future Audit Plans.

(Ref: Report by Internal Audit Manager dated 18 August 2005, submitted).

5. ADAPTING TO THE FUTURE 2003-2004

A report detailing progress by Community Services Department Management with the implementation of recommendations contained within the national report entitled "Adapting To The Future" which had been issued by the Accounts Commission – Audit Scotland was considered.

Decision

The Audit Committee agreed to note

- 1) the contents of the report and request this be followed up by Internal Audit;
- 2) that all 16 recommendations will be complete by November 2005; and
- 3) Councillor Robertson's concern that implementation of the report's recommendations would have an impact on professional staffs' time.

(Ref: Report by Internal Audit Manager dated 18 August 2005, submitted and report by Internal Audit Manager dated 2 September 2005, tabled).

6. MAINTAINING SCOTLAND'S ROADS

Audit Scotland issued a national report towards the end of November 2004 entitled "Maintaining Scotland's Roads" which contained the findings of a recent study of the steps taken by the Scottish Executive and Councils to monitor the conditions Scotland's roads network and to manage structural maintenance.

The Audit Committee at their meeting on 3 June 2005 requested that the Strategic Policy Committee give further consideration to their initial question on 4 March 2005 asking the Strategic Policy Committee if they were satisfied that the Council had the necessary resources to address the issues highlighted in the Audit Scotland National Report.

Decision

The Audit Committee agreed

- 1) To note the contents of the report and request this be followed up by Internal Audit;
- 2) To note the extract of the minute of the Strategic Policy Committee of 7 July 2005 which advised the Audit Committee that there was insufficient budget resource available to address the £38m backlog for structural maintenance and that a request had been made to the Scottish Executive through COSLA for further measures to be taken in an attempt to increase funding to address the roads maintenance backlog;

- 3) To note that the Head of Roads & Amenity Services will be preparing an updated report to Strategic Policy Committee in December 2005 and that a copy will be made available to the Audit Committee; and
- 4) To acknowledge that the speed of response to the Committee's request by the Head of Roads and Amenity Services was excellent.

(Ref: Report by Internal Audit Manager dated 22 July 2005, submitted and Extract of Minute of the Strategic Policy Committee of 7 July 2005, submitted).

7. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2004-2005

A report setting out the results from a review performed by Internal Audit for recommendations due to be implemented by 30 June 2005 was considered.

Decision

- 1) To note the contents of the report and request this be followed up by Internal Audit;
- 2) To note that the recommendation contained on page 58 of the report (ref D4 – Review of Purchase of Equipment & Materials) had a revised implementation date of mid September 2005;
- 3) To note that the revised implementation date for the recommendation contained on page 61 of the report (ref H5 – Review of HRA Rents) should read “ongoing process”;
- 4) To note that the revised implementation date for the recommendation contained on page 70 of the report (ref B14 – 2002/03 Performance Audit – Management of Community Equipment and Adaptations) should read “December 2005”; and
- 5) To note that progress with the recommendations contained on page 55 of the report (Ref A1, A2 and A3 – Review of Budgetary Control) had moved on since the original audit. It was agreed to request that Internal Audit produce a revised action plan for these recommendations as the revised implementation dates contained within the report reflected the new processes put in place since the original audit.

(Ref: Report by Internal Audit Manager dated 8 August 2005, submitted).

Councillor MacMillan left the meeting.

8. FERRY SERVICES REVIEW

The Audit Committee at their meeting on 3 June 2004 requested that a report be brought to the next meeting detailing the monitoring arrangements that have been put in place to ensure the operators of the Jura-Lismore Ferries were adhering to the terms of their contracts.

A report prepared in response to the Audit Committee request was considered.

Decision

The Audit Committee agreed

- 1) To note that a customer feedback form was being produced to allow passengers to make comments/complaints and that this would be available to passengers travelling on the Cuan – Luing and Port Appin – Lismore ferries and will be displayed in the waiting rooms at Easdale and Ellenabeich;
- 2) To note that the Lismore service transferred back to Council control in April 2005 and is monitored by the Harbour Master in Oban;
- 3) To note that ASP Ship Management who operate the Islay – Jura service submits to the Council monthly details of the sailing information log book; and
- 4) To request that the Head of Roads and Amenity Services make available to the Audit Committee the financial cost of operating the ferry services.

(Ref: Report by Director of Operational Services, submitted).

9. ASSET MANAGEMENT STRATEGY

A report identifying the main elements of Asset Management Planning and progress to date was considered.

Decision

- 1) To note the contents of the report; and
- 2) To note that a Progress Report will be brought to the next meeting of the Audit Committee.

(Ref: Report by Chief Asset Manager dated 23 August 2005, submitted).

10. HMIE REPORT 2004-2005

The Education functions of Argyll and Bute Council were inspected during the period December 2004 – January 2005 by HM Inspectorate of Education as part of a 5 year National Inspection Programme of all Local Authorities in Scotland. A report outlining service key strengths plus areas requiring improvement was considered.

Decision

The Audit Committee agreed

- 1) To note the contents of the report and request that this be followed up by Internal Audit;
- 2) To note that a further update will be provided to the Audit Committee on 9 December 2005; and
- 3) To congratulate all the staff in Community Services for a very good report from HMIE.

(Ref: Report by Internal Audit Manager dated 22 July 2005, submitted).

11. ICT INFORMATION SECURITY

A report detailing the Executive Summaries from two recent reports prepared for the Council by a Specialist Consultant commissioned to carry out reviews on Information Security and GSX – Code of Connection's state of readiness along with a report prepared by the Head of ICT and Financial Services for the Strategic Management Team which highlighted the current position relating to ICT security within the Council was considered.

Decision

To note the contents of the report and request this be followed up by Internal Audit in due course.

(Ref: Report by Internal Audit Manager, dated 22 July 2005, submitted and Report by Head of ICT and Financial Services dated 28 June 2005, submitted).

The Chair closed the meeting and reminded Members that a special meeting of the Audit Committee would take place on Thursday 29 September 2005 at 2.00 pm in Helensburgh to consider the External Auditors report on the 2004/5 Annual Accounts.