

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 8 DECEMBER 2006**

Present: Councillor Gary Mulvaney (Chair)

Councillor John Tacchi
Ian Ross

Councillor Elaine Robertson

Attending: Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Susan Mair, Head of Legal and Protective Services
David Clements, Policy Manager
Gary Devlin, RSM Robson Rhodes
David Jamieson, Audit Scotland
Steve Keightly, KPMG

The Chairman welcomed Gary Devlin from RSM Robson Rhodes to his first meeting of the Audit Committee following their appointment as the Council's external Auditors.

1. APOLOGIES

Apologies were received from Christopher Valentine and Councillor Donald MacMillan.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The minutes of 21 September 2006 were approved as a correct record.

4. QUARTERLY SERVICE REVIEWS REPORTING

The Committee considered a report providing a summary of the Service quarterly reports for the period July to September 2006, consisting of the exceptional performance sections only.

Decision

It was agreed:

1. To note the contents of the report.
2. To request that future quarterly reports -
 - (i) Show quantifying impacts
 - (ii) Show any trends
 - (iii) Show who is responsible for rectification with a brief explanation of doing what action is being taken.

(Reference: Report by Policy Manager, submitted).

5. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2006-2007

An interim progress report had been prepared covering the audit work performed by Internal Audit up to the 3rd of November 2006. The objective of the report is to advise members of the progress of the Annual Audit Plan.

Decision

The Committee agreed to approve the progress made with the Annual Audit Plan for 2006 - 2007.

(Reference: Report by Internal Audit Manager dated 22 November 2006, submitted).

6. MAINTAINING SCOTLAND'S ROADS - UPDATE

Audit Scotland issued a national report towards the end of November 2004 entitled, "Maintaining Scotland's Roads". The national report did not have any implementation dates assigned to its 9 recommendations. The Head of Roads & Amenity Services prepared an action plan incorporating the report's recommendations and added a further 3 to reflect dependent issues. The Head of Service commenced reporting to the Audit Committee and Strategic Policy Committee (SPC) in December 2004. The Committee considered the current implementation position in respect of planned actions.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report

(Reference: Report by Internal Audit Manager dated 24 November 2006, submitted).

*** 7. EXTERNAL AND INTERNAL AUDIT FOLLOW UP**

The Internal Audit Annual Plan requires that follow up reviews be conducted for all audits completed during the prior year. Internal Audit also document the progress made by departmental management in implementing the recommendations made by both Audit Scotland and Internal Audit. The current reporting system was introduced and approved by the Audit Committee in August 2004. The Committee considered a report outlining the results from a review performed by Internal Audit for recommendations due to be implemented by the 30th September 2006.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report
3. To request a report be submitted to the SPC budget meeting in January and then to the Audit Committee on ICT training issues from the ICT Development Manager.
4. To seek clarification on the position of a common department Health and Safety approval form from the Head of Facilities.
5. To bring to the attention of the Chief Executive that some nominal rents are still subject to billing procedure when it is uneconomic to do so.

(Reference: Report by Internal Audit Manager dated 20 November 2006, submitted).

* **8. RECENT EXTERNAL AUDIT REPORTS ISSUED 2006**

The Committee considered a report providing an update on the performance of Strathclyde Pension Fund (SPF).

Decision

The committee decided that the attention of the Strategic Policy Committee should be drawn to the longer-term financial, social and ethical sustainability of the Scheme in its current form.

(Reference: Report by Head of Strategic Finance dated 8 December 2006, tabled).

9. HMIE REPORT 2004-05

As part of a 5 year national inspection programme of all local authorities in Scotland, the Education Service of Argyll & Bute Council was inspected during the period December 2004 to January 2005 by HM Inspectorate of Education (HMIE). In June 2005 HMIE issued their inspection report. This outlined service key strengths plus areas requiring improvement. The HMIE review found that the service demonstrated good and improving performance but indicated areas where further improvement could be made.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report

(Reference: Report by Internal Audit Manager dated 3 November 2006, submitted).

10. AUDIT OF ACCOUNTS 2005/2006: MEMBERS LETTER / AUDIT OF ACCOUNTS AND CERTIFIED ACCOUNTS

The external auditors, Audit Scotland, have completed their audit of the Council's Accounts for the year to 31 March 2006.

Decision

It was agreed:

1. The Certified Accounts and the terms of the Audit Certificate and report to Members are noted.
2. To refer to the Audit Committee monitoring of the external auditors recommendations contained in the action plan.

(Reference: Report by Head of Strategic Finance dated 1 November 2006, submitted).

11. RISK MANAGEMENT - THE CURRENT POSITION

Risk management is a relatively new requirement which has been placed on Councils. Audit Scotland in its Annual Accounts - Report to Members 2005/06 stated, "the council needs to further embed its risk management approach". The Council Constitution details the Audit Committee as responsible for scrutinising risk management aspects of the Council's business. With regard to the above the Audit Chairman has requested that a report be prepared for the Audit Committee, detailing the current status of risk management within the council. As part of the 2006/07 audit programme Internal Audit has carried out an audit of Risk Management.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report

(Reference: Report by Internal Audit Manager dated 10 November 2006, submitted).

12. LEGAL AND PROTECTIVE SERVICE PERFORMANCE - UPDATE

At their last meeting, the Audit Committee considered a report from the Head of Legal and Protective Services which outlined a number of issues which had impacted on the delivery of services. The Committee considered a further report from the Head of Legal and Protective Services.

Decision

It was agreed:

1. To note the contents of the report
2. To request that a further report, providing a breakdown of the types of licence applications processed, be submitted to the next meeting of the Audit Committee.

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

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

13. BEST VALUE REPORTING PROCESS

In February 2006 Audit Scotland issued a report entitled “The Audit of Best Value and Community Planning”. The report and findings related to the performance of Argyll and Bute Council’s statutory duties to secure Best Value. The report recognised the effectiveness of the Audit Committee but requested its role could be further developed to provide challenge on the findings and methodology of Best Value Service Reviews. On the 21st of September 2006 the Audit Committee accepted a reporting process agreed with Audit Scotland and agreed that they commence receiving service review updates on the 8th of December 2006, and thereafter on a quarterly basis.

Decision

It was agreed to monitor progress on this item with an updated report requested for the next meeting of the Audit Committee

(Reference: Report by Internal Audit Manager dated 10 November 2006, submitted).