

**MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS ROOM, KILMORY,
LOCHGILPHEAD
on THURSDAY, 28 JUNE 2007**

- Present:** Ian M M Ross (Chair)
- | | |
|------------------|-----------------------|
| Gordon Chalmers | Ron Simon |
| Roderick McCuish | Christopher Valentine |
| Bruce Marshall | |
- Apologies:** Mary Jean Devon
- Attending:** Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Gary Devlin, RSM Robson Rhodes
Steve Keightley, KPMG (for item 14 only)

The Chairman ruled and the Committee agreed to vary the order of business on the agenda and that item 8 - KPMG Work Plan for 2007/2008 would now be the last item to be considered on the agenda to allow the Manager of KPMG to be present for discussion of this item.

1. MINUTES

The Minutes of the Audit Committee meeting held on 30 March 2007 were approved as a correct record.

2. ANNUAL INTERNAL AUDIT REPORT 2006-2007

Internal Audit has the responsibility to provide the Audit Committee with an annual report which comments on the duties and audits carried out by the section throughout the financial year. The Annual Report for 2006-2007 was before the Committee for consideration.

Decision

To approve the Internal Annual Audit Report for 2006-2007.

(Reference: Report by Internal Audit Manager dated 20 June 2007, submitted)

3. REVIEW OF INTERNAL AUDIT

The Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code) issued by CIPFA in 2000 sets out good practice in delivering internal audit services. The Code has recently been revised to reflect the changing requirements and expectations on internal audit in local government. The Council's external auditor, RSM Robson Rhodes reviewed the Council's internal audit department against the 11 standards set out in the Code and their report was before the Committee for consideration.

Decision

1. Noted the contents of the report; and
2. Noted that the 3 standards that did not meet the requirements of the Code will be followed up by Internal Audit.

(Reference: Report by RSM Robson Rhodes dated May 2007, submitted)

4. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

The Council's external auditor has identified that the current arrangements for reporting the outcome of internal audit work do not fully comply with the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code). A report outlining how the Council might comply with this requirement was considered.

Decision

Agreed that a summary and action plan covering material and fundamental weaknesses for each internal audit be reported to the Audit Committee.

(Reference: Report by Head of Strategic Finance dated 6 June 2007, submitted)

5. AUDIT COMMITTEE ANNUAL REPORT

The Council's external auditor has identified that preparation of an annual report by the Audit Committee to the Council is necessary to fully meet the requirements of the Code of Practice for Internal Audit in Local Government in the United Kingdom (the Code). A report outlining how the Council might comply with this requirement was considered.

Decision

Agreed that the Audit Committee will prepare an annual report to the Council with the first report covering the financial year ended 31 March 2008.

(Reference: Report by Head of Strategic Finance dated 6 June 2007, submitted)

6. ADAPTING TO THE FUTURE

The Audit Committee of 30 March 2007 noted a report entitled "Adapting to the Future" dated 6 March 2007 and raised a number of questions. A report responding to these questions was before the Committee for consideration.

Decision

To note the contents of the report.

(Reference: Report by Head of Service (Adult Care) dated 7 June 2007, submitted)

7. SUMMARY OF QUARTERLY PERFORMANCE REPORTS

A report providing a summary of the Service quarterly reports for the period January to March 2007 consisting of the exceptional performance sections only was considered.

Decision

To note the contents of the report and that a presentation on the changes to the Committee structure of the Council would be brought to the next meeting of the Audit Committee.

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

8. MAINTAINING SCOTLAND'S ROADS

Audit Scotland issued a national report towards the end of November 2004 entitled "Maintaining Scotland's Roads" and detailed 9 recommendations. The Head of Roads and Amenity Services prepared an action plan incorporating the report's recommendations and added a further 3 to reflect dependent issues. A report detailing the current implementation position in respect of the planned actions was considered.

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 14 June 2007, submitted)

9. RISK MANAGEMENT PROGRAMME UPDATE

A report outlining progress with the implementation of the risk management framework and business continuity planning process was considered.

Decision

To note the contents of the report and that a presentation on the Strategic and Operational Risk Registers would be brought to a future meeting of the Audit Committee.

(Reference: Report by Governance and Risk Manager dated 12 June 2007, submitted)

10. COMMUNITY SERVICES - EDUCATION COMPUTER SERVICE REVIEW

The audit of the Education Network undertaken by Audit Scotland in 2004/2005 highlighted the need for action in specific areas. A report outlining progress with these issues was considered.

Decision

To note the contents of the report and that the issues identified as high priority in

the report by Audit Scotland have now been addressed.

(Reference: Report by ICT Development Manager for Community Services dated 6 June 2007, submitted)

11. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2006-2007

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

Decision

1. To note the contents of the report and that they will be followed up by Internal Audit;
2. To note that actions A4, D3, D5, G1, H6 and H7 detailed at Appendix 2 of the report had now been implemented/were complete;
3. To note that actions E2 and E3 detailed at Appendix 2 of the report will be completed by July 2007;
4. To note that action H2 detailed at Appendix 2 of the report will be an ongoing item; and
5. Agreed that future reports will include a column indicating the number of times an action has been given a revised implementation date.

(Reference: Report by Internal Audit Manager dated 13 June 2007, submitted)

12. UNAUDITED ANNUAL ACCOUNTS TO MARCH 2007

The Committee considered the Unaudited 2006/2007 Annual Accounts which had previously been considered by the Council.

Decision

To note the unaudited Accounts for 2006/2007.

(Reference: Report by Head of Strategic Finance dated 14 June 2007 and Unaudited Accounts for 2006/2007 submitted)

13. REPORT ON 2006-2007 INTERNAL FINANCIAL CONTROL STATEMENT (IFCS)

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. Internal Audit have provided an annual overall assessment to the robustness of the Internal Financial Control System for the financial year 2006-2007 for the Head of Strategic Finance and this was submitted for consideration.

Decision

1. To note the contents of the report;
2. Agreed to recommend to the Executive that in future Internal Audit prepare a Statement of Internal Controls instead of just a Statement of Financial Controls for the Head of Strategic Finance; and
3. The Committee also recommended that as a further measure of control post completion audits be undertaken on significant operational reconfiguration projects to ensure that the objectives of the project are met.

(Reference: Report by Internal Audit Manager dated 14 June 2007, submitted)

14. KPMG WORK PLAN FOR 2007/2008

A report proposing a schedule of work to be undertaken by KPMG as internal audit partners with the in house internal audit team was considered.

Decision

1. To approve the revised work plan for the current year as detailed in the report; and
2. To note that the Head of Democratic Services and Governance will liaise with KPMG on dates scheduled for Members training in August to enable specialist training for the Audit Committee to be arranged around that time.

(Reference: Report by Manager of KPMG dated 1 June 2007, submitted)