

**MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS ROOM, KILMORY,
LOCHGILPHEAD
on FRIDAY, 26 JUNE 2009**

- Present:** Ian M M Ross (Chair)
- Councillor David Kinniburgh Christopher Valentine
Councillor Andrew Nisbet
- Attending:** Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Andrew Law, Director of Operational Services (for items 12 & 13)
Gary Devlin, Grant Thornton UK LLP, External Auditors
Stephen Reid, KPMG
Ewan Currie, KPMG
- Apologies:** Councillor Gordon Chalmers Councillor James Robb

Prior to consideration of business the Chair of the Committee advised that he had met with Chris Shirley, Quality Standards Manager, regarding Truancy statistics and received confirmation that the reporting mechanism did not show reasons for absences which were not always due to Truancy and that reasons for absence will be recorded in future.

The Chair also expressed his serious concerns regarding the large number of Internal Audit reports before the Committee for consideration at this meeting and the Committee agreed to the introduction of a protocol which would alert the Committee to the date of first issue of such reports.

1. DECLARATIONS OF INTEREST

None declared.

2. MINUTES

The Minutes of the Audit Committee meeting held on 6 March 2009 were approved as a correct record.

3. UNAUDITED ANNUAL ACCOUNTS 2008 - 2009

The Committee considered an updated report on the Unaudited 2008 - 2009 Annual Accounts which had previously been considered by the Council. A report prepared by the Internal Audit Manager on the Internal Control Statement for 2008 – 2009 was also considered.

Decision

The Committee agreed:-

1. To note the Unaudited Accounts and Internal Control Statement for 2008 – 2009;

2. To note that the Council had agreed, in respect of earmarked balances in the General Fund Reserve that –
 - (a) The balances in relation to the Strategic Housing Fund, NPDO Smoothing Fund and Waste Management PPP Smoothing Fund continue to be earmarked;
 - (b) Any balances identified at the Council meeting on 12 February 2009 to be carried forward to balance the 2009-2010 budget be earmarked and applied to the budget in 2009-2010;
 - (c) Any unspent grants and unspent contributions from external bodies be earmarked; and
 - (d) Any unspent budget that relates to existing policy commitments or is required to meet an existing legal commitment is earmarked.

(Reference: Updated Report by Head of Strategic Finance dated 17 June 2009 and report by Internal Audit Manager dated 22 May 2009, tabled)

4. INTERNAL AUDIT ANNUAL REPORT 2008 - 2009

Internal Audit has the responsibility to provide to the Audit Committee an Annual report that comments on the duties and audits carried out by the section throughout the financial year. The Annual Report for 2008 – 2009 was before the Committee for consideration.

Decision

1. Approved the Internal Audit Annual Report for 2008 – 2009; and
2. Agreed to request the Head of Improvement and HR to bring a report to the December meeting of the Audit Committee regarding HR policies and procedures in terms of absenteeism, stress and recruitment and retention of staff.

(Reference: Report by Internal Audit Manager dated 27 May 2009, submitted)

5. AUDIT COMMITTEE ANNUAL REPORT 2008 - 2009

A report summarising the work of the Audit Committee during the year 2008-2009 and outlining its view of the Council's internal control framework, risk management and governance arrangements was considered.

Decision

1. Agreed the Annual Report by the Audit Committee for 2008/2009 subject to the following changes:-
 - (a) Expansion to the second last paragraph under the heading "Summary of the work of the Audit Committee during 2008/2009" in respect of Quarterly Performance Reports;

- (b) Second paragraph under heading "Conclusion" to include reference to role of PPGs;
 - (c) Under the heading "Conclusion" add reference to self improvement carried out by the Audit Committee;
 - (d) Under the heading "Conclusion" amend typo in the second sentence of the first paragraph - "an agreed framework" should read "and agreed framework";
 - (e) Under the heading "Conclusion" remove extra line spacing between third and second last paragraphs; and
2. Noted that final report would come to the September meeting of the Audit Committee for approval prior to submission to the Council.

(Reference: Report by Internal Audit Manager dated 25 May 2009, submitted)

6. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE

A report enclosing the key messages of recently published Audit Scotland reports entitled "Overview of the Local Authority Audits 2008", "Drug and Alcohol Services in Scotland" and "Asset Management in Local Government" was considered. A report by the Head of Strategic Finance commenting on the "Overview of Local Authority Audits 2008" was also before the Committee for consideration.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit;
2. Agreed to request the Head of Facility Services to bring a report to the next meeting showing the Argyll and Bute position against the national position in respect of Asset Management; and
3. Agreed to request the Head of Adult Services to bring a report to the next meeting showing the Argyll and Bute position against the national position in respect of Drug and Alcohol Services.

(Reference: Report by Internal Audit Manager dated 18 May 2009, submitted)

7. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY

A report updating the Committee on progress being made with the implementation of the Council's Risk Management and Business Continuity Strategy was considered along with a report prepared by Glen Abbot Ltd following the recent exercise carried out by the Council on 11 March 2009 to test the Business Continuity Incident Management Plan and some of the Departmental Recovery Plans. An Internal Audit report prepared by KMPG on Risk Management was also considered.

Decision

1. Noted the contents of the reports; and
2. Noted that the Head of Democratic Services and Governance will look at incorporating Risk Management into the training programme for Members which will be considered by the Organisational Development PPG.

(Reference: Report by Governance and Risk Manager and Report by Glen Abbot Ltd dated 26 March 2009, submitted)

8. GOVERNANCE ARRANGEMENTS - FOLLOW UP AUDIT

As part of the External Auditor's 2008 – 2009 interim audit they followed up the Council's progress in implementing agreed recommendations from the 2007 – 2008 audits in respect of the following aspects of Governance: - the effective operation of internal audit; the effective operation of the audit committee; and the arrangements to prevent and detect fraud and irregularity.

A report advising on the outcome of this follow up review was considered.

Decision

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

(Reference: Report by Grant Thornton UK LLP, External Auditors dated June 2009, submitted)

9. IT SYSTEMS AND APPLICATIONS - PROGRESS REPORT

As part of their 2008 – 2009 audit, a report detailing the External Auditor's review of the design and operational effectiveness of general controls over IT systems and applications in the Council and progress of the implementation of the agreed action plan points from their 2007 – 2008 audit of IT systems and applications was considered.

Decision

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

(Reference: Report Grant Thornton UK LLP, External Auditors dated 3 June 2009, submitted)

10. AUDIT COMMITTEE AWAY DAY

The Committee noted that this report was in the process of being finalised and would be submitted to a future meeting.

11. 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 31 March

2009.

Decision

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

(Reference: Report by Internal Audit Manager dated 20 May 2009, submitted)

12. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2008 - 2009

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

Decision

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

Cash and Income Banking;
Capital Accounting;
Council Tax and Non Domestic Rates;
Debtors;
Health and Safety;
Procurement for Fleet;
Recruitment and Retention of Staff;
Stress Management;
New Legislation;
Asset Management;
Pre School Education;
Parking and Public Convenience Income;
Unified Benefits;
Payroll;
Commissioning Social Work;
Computer Audit – Help Desk;
Budgetary Preparation;
Capital Contracts;
Contract Hire and Operating Leases

(Reference: Report by Internal Audit Manager dated 18 May 2009, submitted)

13. CONTRACT MANAGEMENT

Internal Audit, as part of the Annual Audit Plan for 2008 – 2009 carried out a Tendering Procedures audit in August 2008. The project selected was Argyll Air Services to complement the review of contract arrangements and subsequent report by the Council's External Auditors. In consultation with Grant Thornton UK LLP it was agreed that both reports would be presented under the specific heading of Contract Management for ease of review by the Audit Committee. These reports were now before the Committee for consideration.

Decision

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

Internal Audit; and

2. Acknowledged that the Council have revised its project management arrangements which meet good practice guidelines and will now identify risks prior to the commencement of projects.

(Reference: Report by Internal Audit Manager dated August 2008 and report by Grant Thornton UK LLP dated March 2009, submitted)