**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD
on FRIDAY, 27 AUGUST 2004**

Present: Councillor Gary Mulvaney (Chair)

                     Councillor John Tacchi   Ian Ross

Attending: Charles Reppke, Head of Democratic Services & Governance
                     Dougie Dunlop, Head of Children & Families
                     Bruce West, Head of Strategic Finance
                     Ian Nisbet, Internal Audit Manager
                     Steve Keightley, KPMG
                     Brian Howarth, Audit Scotland
                     Ian Bell, Audit Scotland
                     Laurence Slavin, Audit Scotland
                     Marius Rautenbach, Audit Scotland

Apologies: Councillor John McAlpine   Councillor Elaine Robertson
                     Councillor Donald MacMillan   Christopher Valentine

1.   MINUTES

The Committee approved the minutes of the Audit Committee of 14 June 2004 as a correct record.

2.   APPOINT VICE-CHAIR OF THE AUDIT COMMITTEE

It was agreed to appoint Ian Ross to the position of Vice-Chair of the Audit Committee.

3.   EXTERNAL AUDIT PMP REPORTS 2002-3

Audit Scotland have a statutory responsibility to satisfy themselves that the Council has in place appropriate management arrangements to secure value for money from the resources available to it. The method used in 2002-3 was to review Council best value progress through Performance Management and Planning (PMP) Review.

Decision

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

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

4.   EXTERNAL AUDIT REPORT HMI 2002-3

Internal Audit had performed a review regarding the progress made by Community Services Management in the implementation of key summary report recommendations following the issue of a report by the Accounts Commission "The Inclusion of Pupils with Special Education Needs in Mainstream Schools".

Decision

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

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

5. RECENT EXTERNAL AUDIT ISSUED REPORTS 2003-4

A report containing the executive summaries and action plans for three new reports issued by Audit Scotland since the last Audit Committee was considered. Details of the progress being made by management in implementing outstanding recommendations were outlined.

Decision

1. To note the contents of the report and request that this be followed up by Internal Audit.

2. To request a report for the next Audit Committee meeting from the Head of ICT and Financial Services regarding the measures being taken to address the network issues as identified in Appendix 2 (Networking Overview).

(Ref: Report by Internal Audit Manager 30 July 2004, submitted).

6. AUDIT SCOTLAND REVIEW OF INTERNAL AUDIT (FOLLOW UP)

In July 2004, Audit Scotland had issued national and local reports on their findings of a review concentrating on assessing internal audit compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government.

Decision

1. To note the contents of the report and request that this be followed up by Internal Audit.

2. To commend both KPMG and the Council's staff who were involved in achieving band 1 status.

3. To request that the Internal Audit Manager investigate the merits of pursuing European Founding of Quality Management (EFQM) accreditation and reports back on his findings to the next Audit Committee.

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for the following item of business (Appendix 6 only) 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.

7.	**EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2004/5**

Internal Audit had concerns that the current process of collecting evidence and subsequent reporting is inefficient for departments, Internal Audit and the Audit Committee and accordingly have devised a new reporting system which documents the progress made by departmental management in implementing recommendations made by Audit Scotland and Internal Audit.

Decision

1.	To note the contents of the report and request that this be followed up by Internal Audit.

2.	To record the concern of the Committee where "none" and "none at present" appear in the revised implementation date column and request that Directors note that this is not an acceptable response.

3.	That the Head of Strategic Finance report back to the next Audit Committee on the outcome of the debtors user group meeting which is scheduled to take place in October 2004.

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

8.	**KPMG WORK PLAN FOR INTERNAL AUDIT PARTNERING CONTRACT**

The Committee were requested to endorse a proposed schedule of work to be undertaken by KPMG as Internal Audit partners with the inhouse Internal Audit Team.

Decision

To approve the proposed work plan for the current year with the exception of the 10 days allocated for production of an Audit Committee Handbook which should be reassigned.

(Ref: Report by KPMG dated 29 July 2004, submitted).

9.	**PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004-5**

The Committee were asked to give consideration to an interim progress report which had been prepared regarding the audit worked performed by Internal Audit up to 30 July 2004.

Decision

To approve the progress made with the Annual Audit Plan for 2004-05.

(Ref: Report by Internal Audit Manager dated 30 July 2004).

10.	**UNAUDITED ANNUAL ACCOUNTS - 31 MARCH 2004**

The Committee considered the Unaudited 2003/04 Annual Accounts which had previously been considered by the Council.

Decision

To note the unaudited accounts for 2003/04

(Ref: Report by Head of Strategic Finance dated 15 June 2004 and Unaudited Annual Accounts for the period 1 April 2003 to 31 March 2004, submitted).

11. DISASTER RECOVERY PLAN

The Disaster Recovery Contract was awarded to Synstar Business Continuity on 29 March 2004. Synstar are a specialised disaster recovery and business continuity provider based in Livingston and have a worldwide network of over 50 centres in 11 countries, providing this type of service for 22 years, successfully supporting over 500 client disasters.

Decision

To note the contents of the report.

(Ref: Report by Head of ICT Financial Services dated 6 August 2004, submitted).

Steve Keightley left the meeting prior to discussion of the following item of business.

12. INTERNAL AUDIT PARTNERSHIP

The Council's three year partnership for Internal Audit with KPMG ends in February 2005. The Head of Strategic Finance suggested an approach for giving consideration to the options available on expiry.

Decision

To agree the approach outlined in the submitted report.

(Ref: Report by Head of Strategic Finance dated 12 August 2004, submitted).