

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 3 DECEMBER 2004**

Present: Councillor Gary Mulvaney (Chair)

Councillor Elaine Robertson Ian Ross
Councillor John Tacchi Christopher Valentine

Attending: Bruce West, Head of Strategic Finance
Lynn Smillie, Area Corporate Services Manager
Ian Nisbett, Internal Audit Manager
Steve Keightley, KPMG
Grant Macrae, KPMG
David McConnell, Audit Scotland (for item 1 only)
Ian Bell, Audit Scotland
Laurence Slavin, Audit Scotland

Apologies: Councillor Donald MacMillan Councillor John McAlpine

1. AUDIT OF ACCOUNTS 2003/04: MEMBERS LETTER/AUDIT OF ACCOUNTS AND CERTIFIED ACCOUNTS

The Committee heard from David McConnell, Audit Scotland, regarding the Audited Annual Accounts for 2003/4 which were before them for information.

Decision

1. To note the annual accounts for 2003/4.
1. Agreed that the Head of Strategic Finance submit a report to the next meeting on the administrative and management arrangements governing the Strathclyde Pension Fund.
2. To note that due to structural changes at Audit Scotland, David McConnell will now be focusing on the NHS and Angela Cassells will become Auditor for the Council.
3. To record the Committee's appreciation to David and his team for their assistance to the Council and to wish David well in his new role in health.

(Reference: Audit of Accounts 2003/4, Members letter/Audit of Accounts and Certified Accounts, submitted).

2. MINUTES

The minutes of the Audit Committee of 27 August 2004 were approved as a correct record subject to the following alterations:-

1. Item 6, decision 2 – Alter one to 1.
2. Item 6, decision 3 – change investigates to investigate.

3. EXTERNAL AUDIT PMP REPORTS 2002-3

Internal Audit had carried out a review of the progress made by local management in implementing the remaining agreed recommendations, as raised in the PMP reviews.

Decision

To note the contents of the report and that all of the recommendations have now been implemented.

(Reference: Report by Internal Audit Manager dated 15 November 2004, submitted).

4. HMIE REPORT 2002-3

Internal Audit had performed a review regarding the progress made by Community Services Departmental Management in the implementation of both the key and main report recommendations contained in the report "Moving to Mainstream – The Inclusion of Pupils with Special Education Needs in Mainstream Schools".

Decision

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To request that the Director of Community Services provide Members of the Audit Committee with details of the schools referred to in Appendix 1 of the submitted report.

(Reference: Report by Internal Audit Manager dated 3 November 2004, submitted).

5. ADAPTING TO THE FUTURE 2003-4

Internal Audit had drawn up an action plan covering the 21 report recommendations from the national report "Adapting to the Future" and were in the process of discussing with the appropriate Heads of Service, a way forward to ensure that the Council takes cognisance of the report recommendations.

Decision

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. That the Heads of Integrated Care and Secondary Education provide the Committee with a date for production of the policy position paper.

(Reference: Report by Internal Audit Manager dated 3 December 2004, submitted).

6. RECENT EXTERNAL AUDIT ISSUED REPORTS 2003-4

A report containing the executive summary and action plan for a new report issued by Audit Scotland since the last Audit Committee was considered together with details of the progress made by management in implementing the reports recommendations.

Decision

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To note that this report would be incorporated into the new reporting system for the next Audit Committee meeting.
3. That the Finance Manager for Community Services be requested to provide an explanation of why the DMR procedure manual review has been further delayed as the Committee consider this to be a fundamental piece of work.
4. To ensure that departments are aware of the necessity to adhere to the negotiated deadlines and should take into account any staffing/budgetary constraints when initially setting these.

(Reference: Report by Internal Audit Manager dated 15 November 2004, submitted).

7. AUDIT SCOTLAND REVIEW OF INTERNAL AUDIT (FOLLOW-UP)

In July 2004, Audit Scotland had issued national and local reports on their review findings which concentrated on assessing Internal Audit compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. Details of the progress made regarding the implementation of local report recommendations were also outlined.

Decision

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. That the success rate of 12 from 15 recommendations completed within 4 months be the benchmark for all departments.

(Reference: Report by Internal Audit Manager dated 15 November 2004, submitted).

8. ESTABLISHMENT OF A QUALITY PROCESS

The Audit Committee, at their meeting of 27 August 2004, expressed a view that the use of EFQM was not appropriate in the context of a relatively small part of a large organisation and requested that the approach adopted should be re-examined. Results following this were before the Committee for consideration.

Decision

To note and approve the implementation of continuous improvement in Internal Audit processes.

(Reference: Report by KPMG dated 3 December 2004, submitted).

9. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2004-5

Results from the review performed by Internal Audit for recommendations due to be implemented by October 2004 were outlined.

Decision

1. To express appreciation to the Internal Audit team for the new form of reporting.
2. To note the contents of the report and request that this be followed up by Internal Audit.
3. To ensure that departments are aware of the necessity to adhere to the negotiated deadlines and should take into account any staffing/budgetary constraints when initially setting these.

(Reference: Report by Internal Audit Manager dated 3 November 2004, submitted).

10. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004-5

Consideration was given to an interim progress report detailing the audit work performed by Internal Audit up to 22 October 2004 and the progress of the annual audit plan.

Decision

To approve the progress made with the annual audit plan for 2004-5.

(Reference: Report by Internal Audit Manager dated 3 November 2004, submitted).

11. 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 in-house Internal Audit team.

Decision

1. To approve the revised work plan for the current year.
2. That arrangements be made by the Head of Strategic Finance for a 2 hour training session, Finance for Non Financial Managers, for Elected Members as part of the schedule of work.

(Reference: Report by KPMG dated 3 November 2004, submitted).

12. KPMG AND INTERNAL AUDIT STRATEGY 2005-8

Internal Audit had prepared an audit strategy to guide the development of a 3-year strategic audit plan which, it was reported, would be presented to the Audit Committee for approval in March 2005.

Decision

To approve the audit strategy and development of a 3-year Strategic Audit Plan.

(Reference: Report by KPMG dated 3 November 2004, submitted).

13. UPDATE ON DEBTORS USER GROUP

The Audit Committee had previously requested a report regarding an outstanding recommendation regarding the audit of Sundry Debtors. The Head of Strategic Finance tabled a paper updating the Committee on the progress of this outstanding issue.

Decision

To note the terms of the report.

(Ref: Report by Head of Strategic Finance dated 26 November 2004, tabled)

14. OUTSTANDING AUDIT RECOMMENDATIONS

The Audit Committee, at their meeting in August 2004, requested a report relating to 4 recommendations for Strategic Finance which were past their implementation date and for which no further dates were given for implementation.

Decision

To note the terms of the report and the revised implementation dates.

(Reference: Report by Head of Strategic Finance dated 26 November 2004, submitted).

The Committee resolved in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraphs 8 and 9 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

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

15. REVIEW OF INTERNAL AUDIT PARTNERSHIP

The Committee considered a report updating them on the progress being made with regard to re-tendering for the Internal Audit Partnership.

Decision

1. To note the positive evaluation of the current partnership.
2. To approve the scope proposed for a further partnership as outlined in section 3.3 of the submitted report.
3. To note that a specification has been drafted and will be passed to the Authorities Buying Consortium for inclusion in the tender.
4. To note that the Council will utilise the tender documentation prepared by the Authorities Buying Consortium and that they will organise the tendering process.
5. To agree the basis of the evaluation framework outlined in paragraph 3.4.2 of the submitted report.
6. To note that a report has been drafted for consideration by the Strategic Policy Committee.

(Reference: Report by Head of Strategic Finance dated 17 November 2004, submitted).