

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,  
LOCHGILPHEAD on FRIDAY, 1 AUGUST 2003**

**Present:** Councillor Gary Mulvaney (Chair)

Councillor John McAlpine	Councillor Elaine Robertson
Councillor John Tacchi	Graham Michie
Councillor Donald MacMillan	Vincent Bradbury

**Attending:** Stewart McGregor, Director of Finance  
Charles Reppke, Head of Democratic & Community Services  
Ian Nisbet, Internal Audit Manager  
Steve Keightley, KPMG  
Brian Haworth, Audit Scotland

The Chairman ruled that the business dealt with at item 8 of this Minute be taken as a matter of urgency by reason of the need for the Committee to consider the report prior to the meeting of the Strategic Policy Committee on 7 August 2003.

**1. MINUTES**

- (a) The Committee approved the minutes of the Audit Committee of 21 February 2003 as a correct record.
- (b) The Committee approved the minutes of the Audit Committee of 30 May 2003 as a correct record and endorsed the recommendations as contained in the note of the inquorate meeting of the same date.

**2. ANNUAL ACCOUNTS 2002/03 - UNAUDITED**

The unaudited accounts had been submitted to the Council on 25 June 2003 and sent to the Controller of Audit immediately thereafter in order to comply with legislative requirements.

The Audit Committee had been asked to note the improved level of the General Fund Reserve, adherence to budgets (particularly Education), the new statement on Internal Financial Control and the financial position of the Building Maintenance DLO.

**Decision**

1. To note the submission of unaudited accounts within statutory timescales
2. To note the generally satisfactory financial position with the exception of the Building Maintenance DLO. Concerns relating to the returned deficit of £0.204m were raised.
3. That the Council be requested to continuously monitor the financial performance of the Building Maintenance DLO during the current year.

4. To express the gratitude of the Committee to the Director of Finance and his staff for the preparation of the annual accounts and in particular, to praise all staff involved in ensuring adherence to the Education budget.

(Ref: Reports by Director of Finance dated 18 June and 20 June 2003, submitted).

**3. (a) PROGRESS REPORT ON EXTERNAL AUDIT REPORTS FROM PRICEWATERHOUSECOOPERS TO THE COUNCIL FOR 2000/2001**

Internal Audit had prepared a list of all external audit management letters where recommendations remain outstanding together with details of progress made in the implementation of these recommendations.

**Decision**

1. To note the contents of the submitted report and instruct internal audit to follow up the outstanding matter.
2. In the event that the Disaster Recovery Plan is not implemented prior to the next meeting of the Committee, to request that the responsible officer attend the meeting to speak to this matter.

(Ref: Report by Internal Audit Manager dated 1 August 2003, submitted)

**3. (b) VAT RELATED ISSUES**

The Director of Finance had, at the Audit Committee on 30 May 2003, expressed concern on the delay in completing an item raised by the Council's former external auditors, PricewaterhouseCoopers. The issue related to ensuring VAT on exempt inputs does not exceed 5% of the total VAT on input. If the 5% were to be breached, the Council would lose a significant sum in VAT recovery from Customs and Excise.

An exercise to complete the calculation had now been completed and the Council had not breached the 5% limit.

**Decision**

1. To note the completion of the point on VAT partial exemption for the year 2000/2001 raised by PriceWaterhouseCoopers.
2. To instruct the responsible Financial Officer to bring forward a progress report to the next meeting on bringing the exercise up to date.

(Ref: Report by Director of Finance dated 30 June 2003, submitted)

**4. PMP EXTERNAL AUDIT REPORTS 2002/03**

A review of progress made by local management in the implementation of recommendations from the PMP External Audit Reports 2002-03 had been carried out by Internal Audit with the finding being presented to the Committee.

### **Decision**

To note the contents of the submitted report and to instruct Internal Audit to follow up the outstanding matters.

(Ref: Report by Internal Audit Manager dated 1 August 2003, submitted)

### **5. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS 2001/02**

Internal Audit had prepared a list for all external audit management letters produced by Audit Scotland for 2001/02 and had provided details regarding the progress made by management in the implementation of the report recommendations.

### **Decision**

1. To note the contents of the submitted report and request that this be followed up by Internal Audit.
2. That information on the Oracle supplier purge process be presented to the Committee at its meeting on 28 November 2003.

(Ref: Report by Internal Audit Manager dated 1 August 2003, submitted).

### **6. EXTERNAL AUDIT REPORTS 2002/03**

Internal Audit had prepared a list of all External Audit management letters where recommendations still remain outstanding and a report regarding the implementation of the recommendations was considered by the Committee.

### **Decision**

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To note that issues raised in the “Moving to Mainstream – The Inclusion of Pupils with Special Educational Needs in Mainstream Schools” report may have possible significant financial implications to the Council and also to note the increased cost of providing NHS therapy services to a greater number of schools.

(Ref: Report by Internal Audit Manager dated 1 August 2003, submitted).

### **7. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2003/04**

An interim progress report had been prepared covering the audit work performed by Internal Audit during the first quarter of 2003-04 which the Committee had been asked to consider.

### **Decision**

To approve the progress made with the Annual Audit Plan for 2003-04 and to note that the Internal Audit Manager would provide a further report on maximising the direct audit days from the team to a future meeting.

(Ref: Report by Internal Audit Manager dated 1 August 2003, submitted).

## **8. CORPORATE GOVERNANCE AND RISK MANAGEMENT**

A formal assessment of strategic business risks had been undertaken and a formal Risk Register compiled which was available for inspection.

### **Decision**

To note the contents of the tabled report which will be considered by the Strategic Policy Committee on 7 August 2003.

(Ref: Report by Director of Corporate & Legal Services dated 25 July 2003, tabled)

## **9. VALEDICTORY ADDRESS**

The Chairman, on behalf of the Committee, thanked the Director of Finance for his hard work and advice to the audit committee since its inception and wished him well in his retirement.