

**MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS' ROOM, KILMORY,
LOCHGILPHEAD
on FRIDAY, 4 MARCH 2005**

Present: Councillor Gary Mulvaney (Chair)

Councillor Donald MacMillan
Councillor John Tacchi

Councillor Elaine Robertson
Ian Ross

Attending: Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Steve Keightley, KPMG
Angela Cassels, Audit Scotland
Ian Bell, Audit Scotland
David Jamieson, Audit Scotland

Apologies: Councillor John McAlpine
Christopher Valentine

The Chair welcomed everyone to the meeting and a special welcome was extended to Angela Cassels who had replaced David MacConnell as Auditor for the Council.

1. MINUTES

The minutes of the Audit Committee of 3 December 2004 were approved as a correct record.

2. ADAPTING TO THE FUTURE 2003-2004

The Audit Committee at their meeting on 3 December 2004 requested that the Heads of Integrated Care and Secondary Education provide the Committee with a date for production of the policy position paper.

DECISION

1. To note that the Heads of Integrated Care and Secondary Education would have a policy position paper prepared by 31 March 2005 and in addition an Action Plan would be completed with implementation dates signed by both Heads of Service for any remaining recommendations.
2. To note that progress will continue to be monitored and reported on by Internal Audit.

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

3. 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 of 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 are also outlined.

DECISION

1. To note that the Council's Constitution in its new format would be considered by the Council at a meeting on 8 April 2005.
2. To note that the work of Internal Audit in this respect was now complete.

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

4. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2004-2005

A report setting out the results from a review performed by Internal Audit for recommendations due to be implemented by 31 December 2004 was considered.

Concerns were expressed about the time taken to complete the Ferry Services Review, it being noted that the original timescale for completion in September 2004 had now slipped to May 2005.

DECISION

1. To note the memo issued to the Strategic Directors emphasising the importance of agreeing realistic implementation dates with auditors which will also provide the Audit Committee with a measured basis against which to monitor implementation progress.
2. To instruct the Head of Roads and Amenity Services to give a verbal report to the next meeting of the Audit Committee explaining the reasons for slippage on the Ferry Services Review.
3. To request that the Chief Executive advise the Audit Committee of the reasons for the delay in the Ferry Services Review and to confirm whether completion of the Review could be brought forward as it had implications for the Capital Budget, meeting on 17 March 2005.

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

5. HMIE REPORT 2002-2003

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

To note the contents of the report and that Internal Audit will continue to monitor progress by the Community Service Departmental Management regarding the issues raised in both the HMIE summary and main reports.

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

6. KPMG - FINANCE TRAINING FOR ELECTED MEMBERS

The Audit Committee, at the meeting on 3 December 2004, requested that arrangements be made by the Head of Strategic Finance for a 2 hour training session to be delivered by KPMG for elected members covering Finance for Non Finance Managers. Details of the issues that KPMG would cover were also outlined.

DECISION

1. Agreed the topics to be covered in the training session, which would take place on 22 March 2005.
2. To request that the principles of how to read Council Financial reports be covered under topics 3 and 4 detailed in the report.
3. To extend an invitation to the training day to the lay members of the Audit and Standards Committees.

(Reference: Report by Internal Audit Manager dated 3 February 2005, submitted).

7. MAINTAINING SCOTLAND'S ROADS

Audit Scotland issued a National Report towards the end of November 2004 entitled "Maintaining Scotland's Roads", which contained the findings of the recent study of the steps taken by the Scottish Executive and Council to monitor the condition of Scotland's road network and to manage structural maintenance. The study was undertaken as a single exercise covering both trunk roads and Council maintained roads. A copy of the Key Findings report was considered.

Decision

1. To note the contents of the report and request this be followed up by internal audit.
2. To congratulate the Head of Roads and Amenity Services on his quick response to the report's findings.
3. To ask the Strategic Policy Committee if they are satisfied that the Council has the necessary resources to address the issues highlighted in the report and if not whether they have sought, or intend to seek additional funds, from the Scottish Executive to assist to deliver the actions outlined in the report.

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

8. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004-2005

Consideration was given to an interim report detailing the audit work performed by Internal Audit up to 31 December 2004 and the progress of the Annual Audit Plan.

Decision

To approve the progress made with the Annual Audit Plan for 2004-2005.

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

9. RECENT EXTERNAL AUDIT ISSUED REPORTS 2003-2004

A report containing an 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 report's recommendations.

Decision

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

(Reference: Report by Internal Audit Manager dated 7 February 2005, submitted).

10. STRATEGIC AUDIT PLAN 2005-2008

Consideration was given to the Strategic Audit Plan for 2005-2008, prepared in consultation with KPMG, and the Annual Audit Plan for 2005-2006.

Decision

To approve the Strategic Audit Plan 2005-2008 and the Annual Audit Plan for 2005-2006.

(Reference: Report by Internal Audit Manger dated 7 February 2005, submitted).

11. ANNUAL ACCOUNTS PROGRESS AND TIMETABLE

A report advising the Audit Committee on the plans in place for financial year end 31 March 2005 and the preparation of the Council's annual accounts for 2004-2005 was considered.

Decision

1. To note that plans are in place to prepare the Council's annual accounts consistent with the Accounting Code of Practice.
2. That the Head of Strategic Finance submit the annual accounts to Council prior to 30 June 2005 in line with the Scottish Executive's requirements.

(Reference: Report by Head of Strategic Finance dated 10 February 2005, tabled).

12. OVERVIEW OF LOCAL GOVERNMENT PENSIONS

The Audit Committee, at their meeting on 3 December 2004 expressed concerns regarding the pension fund disclosures within the 2004-2005 annual accounts. Strategic Finance prepared a report to address these concerns and also the general background to the administration and management arrangements governing the Strathclyde Pension Fund.

Decision

1. To note the contents of the very detailed report and commend Chris Dalgarno-Platt for its production.

2. To request that a staff member in Strategic Finance be responsible for monitoring the outputs from the Fund, ensuring that senior staff and Council Members are kept informed of such issues.
3. To ask the Head of Strategic Finance to seek clarification from the Head of Pensions at Glasgow City Council on how the review of the Fund's Sub Committee will be carried out and what the existing structure of the Sub Committee is.

(Reference: Report by Head of Strategic Finance, submitted).

13. AUDIT PLANNING MEMORANDUM 2004-2005

Angela Cassels, Audit Scotland, outlined the Audit Planning Memorandum for the 2004-2005 Audit, which set out the Audit Responsibilities and Approach and key risks and planned activity in respect of the Financial Statements Audit, Governance Audit, and Performance audit. Audit Fee and Output were also outlined.

Decision

1. To note the contents of the report and that Angela will bring back a report to the September meeting of the Audit committee prior to issue of the Audit Certificate.
2. To note that in view of the Audit of Best Value being undertaken by Audit Scotland that any further consideration of value for money issues be continued to await the receipt of the Audit report.

(Reference: Audit Planning Memorandum 2004-2005 dated 24 February 2005, submitted).

The Committee resolved in terms of Section 50(A) 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, Angela Cassels, Ian Bell and David Jamieson left the meeting prior to discussion of the following item of business.

14. INTERNAL AUDIT PARTNERSHIP

The Committee considered a report advising of the outcome of the tendering exercise for the Internal Audit Partnership.

Decision

Agreed the recommendation detailed in the report.

(Reference: Report by Head of Strategic Finance dated 4 March 2004, tabled).