

MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS' ROOM, COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on FRIDAY, 30 MAY 2003

- Present:** Councillor Gary Mulvaney (Chair)
- Councillor Donald MacMillan Councillor John McAlpine
- 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
Bernadette Quinn, Audit Scotland
- Apologies:** Councillor John Tacchi Mr Graham Michie
Councillor Elaine Robertson

* 1. **FIRST YEAR OF PARTNERSHIP AGREEMENT WITH KPMG AND PROPOSALS FOR THE SECOND YEAR**

A report detailing the progress of the Internal Audit Partnering Agreement in its first year of operation and explaining KPMG's proposals for the forthcoming year was considered.

Decision

1. To note the progress of the agreement in its first year and approve the proposals for the forthcoming year.
2. That having heard the guidance from KPMG and the Controller of Audit's view of the position of the Section 95 Officer, the Audit Committee recommend to the Council that the Section 95 Officer be a member of the Council's Senior Management Team.

(Ref: Report by KPMG dated 7 May 2003, submitted).

ARGYLL AND BUTE COUNCIL

REPORT BY DIRECTOR OF CORPORATE AND LEGAL SERVICES IN THE ABSENCE OF A QUORUM FOR THE AUDIT COMMITTEE of 30 MAY 2003 held in KILMORY, LOCHGILPHEAD

- Present:** Councillor Gary Mulvaney (Chair)
- Attending:** Stewart McGregor, Director of Finance
Charles Reppke, Head of Corporate & Democratic Services
Ian Nisbet, Internal Audit Manager
Steve Keightley, KPMG
Brian Haworth, Audit Scotland
Bernadette Quinn, Audit Scotland
- Apologies** Councillor Donald MacMillan
Councillor John McAlpine
Councillor Elaine Robertson
Councillor John Tacchi
Mr Graham Michie

Councillors John McAlpine and Donald MacMillan, having previously given their apologies, had left the meeting and the Committee was no longer quorate.

2. MINUTES

It had been recommended that the Committee should, at its meeting on 1 August 2003, approve the minutes of the Audit Committee of 21 February 2003 as a correct record.

3. TERMS OF REFERENCE OF AUDIT COMMITTEE

It had been recommended that consideration of this item be continued to the meeting scheduled for 1 August 2003.

4. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS TO COUNCIL FROM 2001/2002

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

To recommend that the Audit Committee on 1 August 2003:-

1. Notes the contents of the submitted report and requests that this be followed up by Internal Audit.
2. Advises the Information Technology Department of its concern that the Oracle Software problems have yet to be rectified. In the meantime, a report on this matter

should be prepared for submission to the meeting to be held on 1 August 2003 and;

3. Notes that Audit Scotland will be pursuing those items which are outstanding in Appendix 4 of the submitted report.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted)

5. FINAL REPORT ON 2002/2003 AUDIT PLAN

A final report covering audits performed by Internal Audit during 2002-2003 had been submitted for consideration.

Decision

1. To recommend that the Committee, at its meeting on 1 August 2003, notes the contents of the submitted report and congratulates the Audit team on being within the estimate of audit days.
2. That the 2003/4 Audit Plan be submitted to the meeting on 1 August 2003 for information.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted).

6. REPORT ON 2002/2003 INTERNAL FINANCIAL CONTROL STATEMENT (IFCS)

The Council's Senior Management have a responsibility to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. In respect of the Council's annual accounts for the financial year 2002-03, Internal Audit have a responsibility to provide an annual overall assessment of the robustness of these controls for the Director of Finance.

Decision

That the Audit Committee, at its meeting on 1 August 2003, notes the contents of the submitted report.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted and updated IFCS dated 30 May 2003, tabled)

7. EXTERNAL AUDIT REPORTS 2002/2003

External Audit use a method known as Performance Management and Planning (PMP) to review the Council's Best Value Progress. Executive summaries from the reviews carried out by External Audit in 2002-03 had been submitted for consideration.

Decision

That the Audit Committee, at its meeting on 1 August 2003, notes the contents of the submitted report.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted)

8. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS FROM PRICEWATERHOUSECOOPERS (PwC) 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 implementations of these recommendations.

Decision

That the Audit Committee, at its meeting on 1 August 2003:-

1. Notes the contents of the submitted report and instructs Internal Audit to follow up the outstanding matters.
2. Expresses concern about the failure to undertake the VAT related tasks for 2000/2001 and in the meantime, the Director of Finance should investigate this matter and report back to the next meeting of the Committee.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted).

9. INTERNAL AUDIT PERFORMANCE MEASUREMENT 2002/2003

At the outset of the financial year 2002/3 Internal Audit had been tasked to measure the performance of its service delivery to allow comparison to be made on a year-on-year basis and to set targets for improvement. By meeting such targets, the Committee would have confidence that Internal Audit had been delivering a quality service.

Decision

To recommend that the Audit Committee, at its meeting on 1 August 2003, notes the contents of the submitted report.