

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on THURSDAY, 8 NOVEMBER 2001**

Present: Councillor John Stirling (Chair)

Mr Vincent Bradbury (Vice Chair)	Councillor Gordon McKinven
Councillor James McQueen	Mr Graham Michie
Councillor Len Scoullar	

Attending: Nigel Stewart, Director of Corporate & Legal Services
Stewart McGregor, Director of Finance
Ian Nisbet, Chief Internal Auditor
Bruce West, Head of Accounting
Gordon Jack, PricewaterhouseCoopers
Ranald Brown, PricewaterhouseCoopers
David McConnell, Audit Scotland
Asif Haseeb, Audit Scotland

Apologies: Councillor Alistair MacDougall

1. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

2. MINUTES

The Committee approved the Minutes of the Audit Committee of 26 July 2001, as a correct record.

3. PRESENTATION BY AUDIT SCOTLAND

There was a short presentation by David McConnell, Chief Auditor and Asif Haseeb, Senior Audit Manager, Audit Scotland on their plans for the next five years as the new external auditors for Argyll & Bute Council.

4. CORPORATE GOVERNANCE IN LOCAL GOVERNMENT

A joint publication making specific recommendations to local authorities on good corporate governance has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The Director of Finance outlined the three fundamental principles of corporate governance; openness, integrity and accountability as defined in the publication.

Decision

1. Noted that the Director of Corporate & Legal Services would be preparing a local code on corporate governance to enable the Council to include a statement in their financial statements for the 2001/2002 financial year to the effect that a

review of corporate governance arrangements had been carried out and a local code of corporate governance adopted.

2. Noted that Internal Audit report back to the Audit Committee on the implementation of the local code of corporate governance in accordance with a timescale of 31 March 2002.

(Ref: Report by Director of Finance dated 8 October 2001, submitted)

5. REVENUE BUDGET MONITORING 2001/2002

The Head of Accounting outlined the budget monitoring process and provided copies of information provided to Directors, Spokespersons and the Strategic Policy Committee in connection with budget monitoring.

Decision

1. Noted the revenue budget monitoring process in place and that the Audit Committee continue to receive reports from the Head of Accounting on the effectiveness of the process.
2. Noted that the next budget meeting report would be presented to the Strategic Policy Committee on 29 November 2001.

(Ref: Report by the Director of Finance dated 9 October 2001, submitted)

6. CODE OF AUDIT PRACTICE

A revised code of Audit Practice and a statement of responsibilities of auditors and of audited bodies had been issued by Audit Scotland.

The Director of Finance highlighted some particular areas contained in the publication and responded to a number of comments and questions.

Decision

Noted that a report by Internal Audit would be submitted to the Audit Committee on an annual basis on the Council's compliance with its responsibilities in the Code.

(Ref: Report by Director of Finance dated 8 October 2001, submitted)

7. PROPRIETY AND AUDIT IN THE PUBLIC SECTOR

The Public Audit Forum (a body established by the 4 national audit agencies) had recently issued a paper on propriety and audit in the public sector.

Decision

1. To note the publication of the paper and the remit given to the Director of Corporate & Legal Services to recognise and act on as appropriate.
2. To note that the paper was intended as guidance to public sector managers.

3. To note the contribution which Internal Audit can make in the area of propriety and liaising with external audit.

(Ref: Report by Director of Finance dated 8 October 2001, submitted)

8. REVIEW OF INTERNAL AUDIT: SUPPLEMENTARY REPORT - DR A MIDWINTER

Dr. Arthur Midwinter submitted a supplementary report on best value review of internal audit following the Accounts Commission report on internal audit "A Job Worth Doing – Raising the Standard of Internal Audit in Scottish Councils".

The Director of Finance spoke of the formation of a partnership arrangement on the delivery of internal audit services which was planned to start in January 2002, following a tendering exercise.

Decision

Agreed to note:-

1. That the Accounts Commission report highlights key weaknesses in the arrangements for internal audit in Argyll & Bute.
2. That progress has been made in tackling those weaknesses by implementing Dr. Midwinter's recommendations, including the move towards forming a partnership arrangement.
3. That the Audit Committee monitor the position.
4. That Dr. Midwinter's supplementary report be submitted to the Accounts Commission together with the Minute of this Committee meeting, to demonstrate the Council's commitment and responses to the report.

(Ref: Report by Director of Finance dated 8 October 2001, submitted)

9. AUDIT OF ACCOUNTS 2000/2001: MEMBER'S LETTER, AUDIT CERTIFICATE AND CERTIFIED ACCOUNTS

The Certified Accounts, Audit Certificate and External Auditor's letter to Members had been submitted to the Council on 1 November 2001.

Gordon Jack, PricewaterhouseCoopers (outgoing External Auditors) summarised the final report to Member 2000/2001 and thanked Members and Officers for their support over the last five years. The Chairman also took the opportunity to thank PricewaterhouseCoopers for their work. The completion of the accounts for 2000/1 was within the timescale. An action plan in the Final Report was considered.

Decision

That Internal Audit monitor adherence to the Action Plan and report further to the Audit Committee during 2002.

(Ref: Report by Director of Finance dated 9 October 2001, submitted)

10. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS TO COUNCIL FROM 1999/2000 TO PRESENT

Internal Audit had performed a progress review regarding the implementation of recommendations in the External Auditor's first and second Interim Management Letters 2000/01. 10 action points had still to be implemented from the original 22 action points detailed in the finalised interim management letter 2000/2001.

Decision

To note that the implementation of recommendations will continue to be monitored by Internal Audit.

(Ref: Report by Internal Audit Manager dated 8 October 2001, submitted)

11. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2001/2002

The progress of the work carried out by Internal Audit during the second quarter of 2001/2002 was outlined by the Chief Internal Auditor.

Decision

Approved the progress made with the Annual Audit Plan for 2001/2002.

(Ref: Report by Internal Audit Manager dated 8 October 2001, submitted)