

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on THURSDAY, 26 JULY 2001**

Present: Councillor John Stirling (Chair)

Councillor Alistair MacDougall Mr Vincent Bradbury (Vice-Chair)
Councillor James McQueen Mr Graham Michie
Councillor Len Scoullar

Attending: Charles Reppke, Head of Democratic & Community Services
Stewart McGregor, Director of Finance
Ian Nisbet, Chief Internal Auditor
Dr Arthur Midwinter
Ranald Brown, PricewaterhouseCoopers

Apologies: Councillor Gordon McKinven

1. MINUTES

The Committee approved the minutes of the Audit Committee of 21 March 2001, as a correct record.

2. (a) UNAUDITED 2000/2001 ANNUAL ACCOUNTS

There was submitted report by the Director of Finance intimating that the unaudited annual accounts had been lodged with the Controller of Audit by 30 June 2001 as required by statute.

Decision

1. To note the submission of the unaudited accounts within the statutory timescale.
2. To note with concern the very small surplus now retained.
3. To note the outturn position for the current year was under investigation by a group of Members and Officers.

(Ref: Report by Director of Finance dated 19 June 2001, submitted)

(b) REVENUE BUDGET MONITORING

There was submitted report by the Head of Accounting setting out the current Revenue Budget Monitoring process adopted by Argyll & Bute Council.

Decision

To note the terms of the report and to record the Committees concern that the procedures outlined therein had failed to identify the over expenditure in Departmental Budgets.

(Ref: Report by Head of Accounting dated 11 July 2001, submitted)

(c) IMPROVING BUDGET MONITORING

There was submitted report by the Head of Accounting highlighting that the Council would require to make improvements to its arrangements for budget monitoring following the over expenditure in Education and Transportation and Property Services in 2000/2001. It was noted that there was likely to be adverse comment by the external auditors and that the Council should therefore take action now to achieve the improvements in budget monitoring necessary to prevent a future overspend.

Decision

1. To note the terms of the report to the Management Team.
2. To suggest to the Director of Finance that he utilise the “traffic light” system for reporting to members on budget monitoring.
3. That the Head of Accounting provide an update report to the next meeting.

(Ref: Report by Head of Accounting dated 26 June 2001, submitted)

3. ACCOUNTS COMMISSION OVERVIEW REPORT 1999/2000

There was submitted Overview Report by the Accounts Commission for Scotland which was submitted to Members for information.

Decision

To note the terms of the report.

(Ref: Report by Accounts Commission dated 30 March 2001, submitted)

*** 4. REVIEW OF INTERNAL AUDIT SERVICE**

The Director of Finance reported that he had instructed a Best Value Review of the Internal Audit service conducted by Professor Arthur Midwinter with a view to securing improvements in the overall level of resources targeted a the internal audit process. The report submitted by Professor Midwinter set out a range of actions which he recommended should be adopted by the Council to improve the internal audit service within the Council and he highlighted to members the significant parts of the report.

Decision

To recommend to the Council:

- 1
- (a) That they increase the internal audit budget by £80,000 per annum to allow improvements to be made recognising that this will reflect the high cost of using private firms compared with direct provision in the short term. This sum to be financed from loan charges savings generated by the Department of Finance through debt rescheduling.
 - (b) (i) That the internal audit plan be reviewed, reducing the total number of core audit days making provision for a value for money perspective in audit activity and developing performance assessment and best value appraisal work and;
 - (ii) that the Council should identify a key player who will develop the managerial and value for Money/Best Value roles within the service.
 - (c) That the Council negotiate a 3 year partnership agreement with an appropriate external contractor to ensure continuity of provision meantime including managing the function and some training in management/Value for Money/Best Value techniques.
 - (d) That the Council review the matter in 3 years time to assess whether partnership or direct service delivery is the way ahead for the Council thereafter.
 - (e) That the Chief Internal Auditor should continue as at present to report to the Director of Finance to maintain corporate identity but with the right to report directly to the Chief Executive and the Audit Committee if there is any disagreement with the Director of Finance.

(Ref: Report by Professor Arthur Midwinter, submitted)

5. FINAL REPORT ON 2000/2001 AUDIT PLAN

There was submitted amended report by the Internal Audit Manager detailing audits performed by internal audit during 2000/2001.

Decision

To note the terms of the report.

(Ref: Report by Chief Internal Auditor dated 25 June 2001, submitted)

6. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2001/2002

There was submitted interim progress report on the audit work performed by internal audit during the first quarter 2001/2002 with the intention of keeping Members up to date with progress with the Audit Plan which they had previously approved.

Decision

To approve the annual audit plan for 2001/2002 and note the progress made so far.

(Ref: Report by Chief Internal Auditor dated 25 June 2001, submitted)

7. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS TO COUNCIL FROM 1999/00 TO PRESENT

There was submitted report by the Chief Internal Auditor in regard to the follow up reviews conducted by internal audit to ensure that the recommendations contained in the PricewaterhouseCooper's final report to Members for 1999/2000 had been implemented. The report also contained an appendix detailing reports received from PricewaterhouseCooper since the 1999/2000 final report to Members.

Decision

To note the terms of the report and the implementation of the report in regard to budgeting had only been partially complied with.

(Ref: Report by Chief Internal Auditor dated 25 June 2001, submitted)

8. ANTI-FRAUD AND ANTI-CORRUPTION POLICY

There was submitted report by the Director of Corporate & Legal Service which set down recommended policies in regard to Anti Fraud and Anti Corruption Policy Documents which were submitted to Members for their approval.

Decision

To approve the terms of the Anti Fraud and Anti Corruption Policies as submitted to the Council and to request the Director of Corporate & Legal Services to circulate these to Directors for implementation.

(Ref: Report by Director of Corporate and Legal Services, submitted)