

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on WEDNESDAY, 21 MARCH 2001**

Present: Councillor John Stirling (Chair)

Councillor Ronald Kinloch	Mr Vincent Bradbury
Councillor Isobel Strong	MR Graham Michie
Councillor Len Scoullar	

Attending: Charles Reppke, Head of Democratic & Community Services
Stewart McGregor, Director of Finance
Ian Nisbet, Chief Internal Auditor

1. MINUTES

The Committee approved the minutes of the Audit Committee of 29 November 2000 as a correct record.

2. APPOINTMENT OF VICE-CHAIRMAN

In the light of the Council's Review of Political Management which will be considered at the Council Meeting on 22 March 2001 it was agreed to take no action on the appointment of the Vice-Chairman at the time.

3. TERMS OF REFERENCE

The Committee discussed the Terms of Reference for the Committee as determined by the Council and were advised by Gordon Jack, External Auditor from PricewaterhouseCooper that paragraph 14 be amended to more clearly focus the role of the Committee.

Decision

- (1) To note the terms of Reference number 1-13.
- (2) To recommend to the Council that paragraph 14 be amended to read –

To examine the activities and accounts of the Council and exercise a governance role over management efforts to ensure (a) that the expenditure approved by the Council has been incurred for the purposes intending; (b) that services are being provided efficiently and effectively; and (c) that value for money is being obtained, all in accordance with Best Value requirements.

(Ref: Audit Committee Terms of Reference, submitted)

4. INTERNAL AUDIT

(1) Progress Report on 2000/2001 Audit Plan

The Internal Audit Manager submitted a report on the interim progress covering audit performed by Internal Audit during 2000/2001.

Decision

To note the content of the report and appendix thereto.

(Ref: Report by Internal Audit Manager dated 26 February 2001, submitted)

(2) Internal Audit Plan 2001/2002

The Internal Audit Manager submitted a report on the Annual Plan of proposed audit activity for the financial year 2001/2002.

Decision

To note the Annual Audit Plan for 2001/2002 as detailed in Internal Audit Manager's report dated 26 February 2001.

(Ref: Report by Internal Audit Manager dated 26 February 2001, submitted)

5. EXTERNAL AUDIT

Mr Gordon Jack and Mr David McLaren gave a presentation on their role as External Auditors and submitted their Client Service Plan on the 2000/2001 Audit.

The Chairman thanked Mr Jack and Mr McLaren for their enlightening presentation.

Decision

- (1) To note the 2000/2001 Client Service Plan from PricewaterhouseCoopers.
- (2) To note that 2000/2001 was the final year that PricewaterhouseCoopers will be External Auditors to the Council and that another firm will be appointed for a 4 year terms by the Audit Commission in early course.

(Ref: Client Services Plan 2000/2001 by PricewaterhouseCoopers, submitted)

6. EXTERNAL AUDIT MANAGEMENT LETTER UPDATE 1999/2000 PROGRESS REPORT

The Internal Audit Manager submitted a report in regard to the progress and implementation of recommendations raised in the PricewaterhouseCooper final report to Members for 1999/2000 which had been undertaken by Internal Audit.

Decision

- (1) To note the contents of the Internal Audit Manager's report dated 16 February 2001.

- (2) To request the Director of Corporate & Legal Services to furnish the Committee with an update on the timescale for provision of the Fraud & Corruption Policy.

(Ref: Report by Internal Audit Manager dated 26 February 2001, submitted)

7. REVIEW OF INTERNAL AUDIT SECTION

The Director of Finance submitted a report advising that the Audit Committee will receive reports on Internal Audits' Annual and 3 Year Plan together with progress on Audits and liaison between Internal Audit and External Audit. He considered it would be appropriate to review the role of the Internal Audit Section with the presentation of a report to a future Audit Committee outlining current arrangements and raising issues for consideration and possible changes and that it would be desirable to run the review of Internal Audit in conjunction with the study carried out by the Accounts Commission.

Decision

To agree in order to bring an independent view to the Review of the Internal Audit Section to secure the assistance of Dr. Arthur Midwinter to carry out a detailed review with the following terms of reference.

- Obtain detailed information on current structure of Internal Audit, resources available, work plans, reporting arrangements and any other aspect relevant to the current delivery of the Internal Audit service and undertake discussions with Internal Audit staff to obtain their professional views on the current position.
- Carry out consultation with users of Internal Audit service.
- Compare current arrangements with the other benchmarking or equivalent information available including CIPFA's Code of Practice on Internal Audit and identify possible areas for improvement.
- Carry out an options appraisal for alternative service delivery arrangements e.g. partnership or outsourcing.
- The review would be undertaken in a manner consistent with the principles of a best value service review. The approach outlined above includes elements of consultation, benchmarking and options appraisal. It would meet best value principles in terms of member and external involvement through consideration by the Audit Committee and the use of Dr. Midwinter would bring an external expertise to the review.
- Liase with External Audit to ascertain preliminary findings from their review of the Council's internal audit arrangements.
- Form initial view on recommendations for change and provide draft report to the Director of Finance and Audit Committee.

- **Concluding Section**

Immediately following the issue of the Accounts Commission report on Internal Audit arrangements within the Council and recognising the findings of that report, prepare a final report for the Director of Finance and the Audit Committee with recommendations on alterations to the delivery of the Council's Internal Audit service which will lead to an improved delivery of service. It is anticipated that the report will be consistent with the current best practice, CIPFA's Codes of Practice, Dr. Midwinter's own view based on experience and the Accounts Commission's report on Internal Audit arrangements.

(Reference: Report by Director of Finance, Submitted)