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**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 8 MARCH 2002**

Present:

Councillor John Stirling (Chair)

Mr Vincent Bradbury

Councillor Gordon McKinven

Councillor James McQueen

Councillor Alistair MacDougall

Attending:

Nigel Stewart, Director of Corporate & Legal Services

Stewart McGregor, Director of Finance

Bruce West, Head of Accounting

Ian Nisbet, Internal Audit Manager

Asif Haseeb, Senior Audit Manager, Audit Scotland

Steve Clark, KPMG

Apologies:

Councillor Len Scoullar

Mr Graham Michie

1. MINUTES

The Committee approved the minutes of the Audit Committee of 8 November 2001, as a correct record. Arising from item 4, the Director of Corporate & Legal Services informed the meeting that the Council has now adopted a Local Code of Corporate Governance. Arising from Item 8, the Director of Finance advised that Dr Midwinter's report had been submitted to the Accounts Commission.

2. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2001/2002

The progress of the work carried out by internal audit during the third quarter of 2001/2002 was outlined by the Chief Internal Auditor bringing the Committee up to date with the progress made with the annual audit plan.

Decision

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

(Ref: Report by Internal Audit Manager dated 8 March 2002, submitted)

3. REVIEW OF INTERNAL AUDIT DEPARTMENT: PARTNERSHIP AGREEMENT

Steve Clark, Manager, KPMG gave an overview of the first 6 months of the Audit Partnership which was for three years.

Decision

1. Noted that during the Partnership KPMG will submit reports to future Audit Committees on progress being made with improving the delivery of the Internal Audit service.
2. That the proposed strategic audit annual plan be presented at the May meeting.

(Ref: Report by Director of Finance dated 7 February 2002, submitted and report by KPMG dated 7 February 2002, submitted).

4. AUDIT PLANNING MEMORANDUM FOR 2002/02 AUDIT

Asif Haseeb, Audit Scotland outlined the Audit Planning Memorandum for the 2001/2002 Audit, which set out the audit objectives, reporting arrangements and the external audit plan.

Decision

To note the terms of the memorandum and to suggest to the External Auditors the inclusion in future audit planning memoranda of reference to spokespersons and their particular portfolios within the context of the Council's revised political management arrangements.

(Ref: Audit Planning Memorandum for the 2001/2002 Audit dated 21 February 2002, submitted).

5. REVENUE BUDGET MONITORING 2001/2002

The Head of Accounting reviewed the current revenue budget monitoring process in terms of which Council Managers, Spokespersons and the Strategic Policy Committee are provided with information to achieve control of the revenue budget. As part of the review, the Head of Accounting referred to decisions taken by the Strategic Policy Committee arising from concerns over the robustness of education income and expenditure projections which involved responsibility for financial control of the education budget being transferred to the Director of Finance.

Decision

1. To note the revenue budget monitoring process in place, together with the reports on the Education Service financial position and the decisions taken by the Strategic Policy Committee.
2. In order to improve the robustness of the budget monitoring process to recommend to the Council that Service Directors provide a clearer explanation of variances such that the Council might have a clearer picture of income and expenditure trends.

(Ref: Reports by Service Directors, submitted, Extract of Minute of the Strategic Policy Committee (Education) dated 21 February 2002 and Report by Director of Finance, dated 19 December 2001, submitted).

6. REVIEW TERMS OF REFERENCE OF AUDIT COMMITTEE

The Local Code of Corporate Governance recommends that the Audit Committee's Terms of Reference are reviewed at least annually. The Committee reviewed their Terms of Reference and the contribution which the Committee had made to achieving these during the first year of operation.

Decision

1. That the Committee was satisfied that it had made an effective contribution to achieving the Terms of Reference.
2. That the current Terms of Reference remained appropriate and effective.
3. That Internal Audit be requested to prepare a draft for consideration by the Committee in July to enable the Committee to provide its annual report to the Council on the internal control environment.

(Ref: Terms of Reference, submitted).

7. REVISE TIMETABLE FOR FUTURE AUDIT COMMITTEES

The Committee gave consideration to meetings in May, July and November to coincide with the Council's audit process, in substitution for the dates in the Council's current programme of meetings.

Decision

To recommend to the Council the incorporation of the following dates for meetings of the Audit Committee in the Council's programme of meetings: 24 May 2002; 26 July 2002; 8 November 2002.

