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**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 24 MAY 2002**

Present: (Chair)

Also Present:

Attending:

Apologies:

1. MINUTES

The Committee approved the minutes of the Audit Committee of 8 March 2002, as a correct record.

2. PROGRESS REPORT ON 2001/2002 AUDIT PLAN

The Internal Audit Manager outlined the progress of internal audit for the financial year 2001/2002.

Decision

Noted the terms of the report.

(Ref: Report by Internal Audit Manager dated 24 May 2002, submitted)

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

The Audit Manager outlined the situation with regard to the external Audit Reports to date.

Decision

1. To note the terms of the report.

2. Agreed that an updated report be submitted to the Audit Committee on 26 July 2002.

(Ref: Report by Internal Audit Manager dated 24 May 2002, submitted).

4. ACCOUNTS COMMISSION OVERVIEW OF THE 2000/01 LOCAL AUTHORITY AUDITS

The Head of Accounting referred to the findings of the Accounts Commission Overview Report 2000/2001.

Decision

Agreed to note the contents of the report.

(Ref: Report by Head of Accounting dated 29 April 2002, submitted).

5. INTERNAL AUDIT PERFORMANCE TARGETS

The performance targets on Internal Audit were outlined by Grant McRae, KPMG.

Decision

1. Agreed to note the terms of the report.

2. Agreed that the Head of Accounting submit a report to the July meeting on benchmarking with other local authorities on Internal Audit Performance Indicators

3. Agreed to review the target which is the percentage of direct audit time at the next meeting.

(Ref: Report by Head of Accounting dated 30 April 2002, submitted).

6. MISSION STATEMENT AND TERMS OF REFERENCE FOR INTERNAL AUDIT

The Mission Statement and Terms of Reference for Internal Audit was outlined jointly by Grant McCrae and Steve Clark of KPMG.

Decision

Agreed to approve the Terms of Reference and that they be reviewed in one year's time.

(Ref: Report by Head of Accounting dated 30 April 2002, submitted.)

7. AUDIT NEEDS ASSESSMENT AND STRATEGIC AUDIT PLAN

Steve Clark, Manager, KPMG gave an overview of the Audit Needs Assessment and Strategic Audit Plan as was identified by Professor Midwinter and PricewaterhouseCoopers in their Review of Internal Audit.

Decision

1. Agreed to approve the Audit Needs Assessment and Strategic Audit Plan.

2. Agreed that the Audit Needs Assessment and Annual Plan be reviewed on an ongoing basis.

(Ref: Report by Head of Accounting dated 30 April 2002, submitted)

**8. ACCOUNTS COMMISSION SR 2001-4 SCOTTISH BORDERS COUNCIL
EDUCATION DEPARTMENT OVERSPEND - FINDINGS**

The Head of Accounting intimated that the Scottish Borders Findings, the spokespersons reports and the Accounts Commission Report were for information to the Audit Committee. The purpose of bringing it to the Committee's attention is to ensure the overall Internal Control Framework.

Decision

Agreed to note the terms of the reports.

(Ref: Report on Accounts Commission: Scottish Borders Council Education Department Overspend submitted to the Strategic Policy Committee on 18 April 2002, submitted, Report by Councillor Dick Walsh and Councillor George Freeman submitted to the Strategic Policy Committee on 18 April 2002, submitted, Accounts Commission Findings and letter dated 7 March 2002, submitted).

