

# Public Document Pack

## **Argyll and Bute Council** **Comhairle Earra Ghaidheal agus Bhoid**

Customer Services  
Executive Director: Douglas Hendry



Kilmory, Lochgilphead, PA31 8RT  
Tel: 01546 602127 Fax: 01546 604435  
DX 599700 LOCHGILPHEAD

18 June 2013

### **SUPPLEMENTARY PACK 3**

**AUDIT COMMITTEE - COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD on FRIDAY, 21 JUNE 2013 at 11:15 AM**

I enclose herewith item **6 (REVIEW OF CODE OF CORPORATE GOVERNANCE)** which was previously marked "to follow" on the Agenda for the above Meeting.

I also enclose amended covering report for item **7 (AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2012 – 2013)** and amended internal audit reports for Council Tax and Non-Domestic Rates in relation to item **12 (INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2012 - 2013 & 2013 – 2014)** which should replace the papers previously circulated to you with the Agenda for the above meeting.

Douglas Hendry  
Executive Director – Customer Services

#### **TO FOLLOW ITEM**

- 6. REVIEW OF CODE OF CORPORATE GOVERNANCE**  
Joint Report by Executive Director – Customer Services and Head of Strategic Finance (Pages 1 – 30)

#### **AMENDED ITEMS**

- 7. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2012 - 2013**  
Report by Chief Internal Auditor (Pages 31 - 34)
- 12. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2012 - 2013 & 2013 - 2014**  
Report by Chief Internal Auditor (Pages 35 - 54)

## **AUDIT COMMITTEE**

Martin Caldwell (Chair)  
Councillor Maurice Corry  
Councillor Iain MacDonald  
Councillor Aileen Morton

Councillor Gordon Blair  
Sheila Hill  
Councillor Duncan MacIntyre

Contact: Fiona McCallum

Tel. No. 01546 604392

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**REVIEW OF CODE OF CORPORATE GOVERNANCE**

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**1. INTRODUCTION**

This report details the process by which the Council will review the content of the local code of corporate governance to ensure that it remains fit for purpose and the content reflects the current position within the Council.

**2. RECOMMENDATIONS**

- 2.1 Note the content of the report;
- 2.2 Approve the revised Code of Corporate Governance for 2012/13
- 2.3 Approve the Action Plan for 2013/14
- 2.4 Approve the draft statement of governance and internal control for 2012/13

**3. DETAIL**

- 3.1 CIPFA and SOLACE published a revised Framework for 'Delivering Good Governance in Local Government' in 2007. The Framework was intended to define the principles that should underpin the governance of local authorities and provides a structure to assist authorities with their own approach to governance. The Framework took the six core principles, from the 'Good Governance Standard for Public Services' (2004), and adapted these principles for local government, identifying eighteen supporting principles.
- 3.2 The Council's Governance Group, chaired by the Executive Director of Customer Services as Monitoring Officer, has responsibility for the preparation of the Local Code of Corporate Governance along with an Action Plan which identifies areas within the Council where work to improve the governance arrangements within the Council is being undertaken or is necessary. The Governance Group has reviewed the action plan for 2012/13 and taken the view that the actions have either been completed or referred to within the action plan for 2013/14.

The Governance Group includes:

- Head of Strategic Finance (s95 Officer);
- Head of Improvement & HR;
- Head of Governance and Law;
- Governance and Risk Manager;
- Internal Audit Manager.

3.3 The six core principles contained in the local code are;

Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

Members & Officers working together to achieve a common purpose with clearly defined functions and roles

Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Developing the capacity and capabilities of members and officers to be effective

Engaging with local people and other stakeholders to ensure robust public accountability

3.4 The review of the effectiveness of the system of governance and internal control is informed by the:

- Work of Officers within the Council;
- Work of External and Internal Audit;
- Statements of Governance or Internal Control provided by external bodies;
- External review and inspection reports; and
- Recommendations from the Audit Committee
- Recommendations from the Performance, Review and Scrutiny Committee.

3.5 It is requested that the revised code (appendix 1), the action plan 13/14 (appendix 2) and the draft statement (appendix 3) are approved by the Audit Committee.

#### **4. CONCLUSION**

This review of the content of the local code of corporate governance gives assurance about the robustness of the Council's governance arrangements.

#### **5. IMPLICATIONS**

**POLICY** In line with SORP and recommended practice

**FINANCIAL** None

**HR** None

**LEGAL** Monitoring Officer statutory role, remit includes governance

**EQUALITIES** None

**RISKS** None

**CUSTOMER SERVICE** None

**Douglas Hendry**  
**Executive Director – Customer Services**

**Bruce West**  
**Head of Strategic Finance**

**For further information please contact:**  
Iain Jackson, Governance and Risk Manager  
01546 604188

Appendices  
Appendix 1 - Revised code of corporate governance  
Appendix 2 - Action plan for 13/14  
Appendix 3 - Draft statement of governance and internal control

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## Code of Corporate Governance

**Date** 5 June 2013  
**Version** 1.2 – annual update

## Principle 1: Focussing on the purpose of the Authority and on the outcomes for the community, and creating and implementing a vision for the local area

1.1 Supporting Principle: Exercising Strategic Leadership by developing and clearly communicating the Authority’s purpose and vision and its intended outcome for citizens and service users

Evaluation Key			
1. Not compliant with local code requirements	2. Partially compliant with local code requirements	3. Fully compliant with local code requirements	4. Exceeds the requirements of the local code
Local Code	Demonstrating Compliance	Responsible	Lead Officer
<p><b>1.1.1 Develop and promote the Authority’s purpose and vision</b></p>	<p>The Council’s strategic objectives are reflected in the <a href="#">Corporate Plan</a> and <a href="#">Single Outcome Agreement</a></p> <p>Corporate Plan and Single Outcome Agreement approved by Council and published on the Council’s website</p>	<p>Chief Executive</p>	<p>3 3</p> <p>I and HR</p>
	<p>Clear terms of reference are set for the preparation of service plans in the <a href="#">Planning and Performance Management Framework</a> to ensure fit with the <a href="#">Corporate Plan</a>.</p>	<p>Chief Executive / Executive Directors</p>	<p>3 3</p> <p>All Service Heads</p>
	<p><a href="#">Service Plans</a> clearly reflect corporate objectives</p>		
	<p>Documented meetings have taken place to discuss key objectives in <a href="#">Corporate</a> and <a href="#">Service Plans</a></p>	<p>Chief Executive</p>	<p>3 3</p> <p>Executive Directors</p>
	<p>A <a href="#">Communications Strategy</a> has been approved and is being implemented.</p> <p>Public Performance Reporting Strategy has been drafted and awaits approval.</p> <p><a href="#">Public performance reporting strategy 2008</a></p>	<p>Chief Executive</p>	<p>3 3</p> <p>I and HR</p>



<p><b>1.1.2 Review on a regular basis the Authority’s vision for the local area and its implications for the Authority’s governance arrangements</b></p>	<p>Local Code of Corporate Governance has been developed in line with CIPFA/SOLACE guidelines</p>	ED – Cus S	3	3	G and L
	<p>Annual review of the <a href="#">Corporate Plan</a></p>	Chief Executive	3	3	I and HR
	<p>Annual review of <a href="#">Service Plans</a></p>	Executive Directors	3	3	All Service Heads
	<p>Develop a corporate framework for all partnerships within the CPP</p> <p>An updated Partnership Agreement to be approved for the Community Planning Partnership at the CPP Chief Officer’s Group on 19<sup>th</sup> June 2013.</p>	Chief Executive	3	3	I and HR
<p><b>1.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</b></p>	<p>Prepare and publish an <a href="#">Annual Report</a></p>	Chief Executive	3	3	I and HR
	<p>Prepare and publish <a href="#">Statutory Performance Indicator Report</a></p>	Chief Executive	3	3	I and HR
	<p>Prepare and publish <a href="#">Annual Accounts</a> and <a href="#">Efficiency Statements</a></p>	Chief Executive	3	3	SF
<p><b>1.1.4 Publish an Annual Report on a timely basis to communicate the Authority’s activities and achievements, its financial position and performance</b></p>					

**1.2 Supporting Principle: Ensuring that users receive a high quality of service whether directly, in partnership, or by commissioning**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer	
<p><b>1.2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</b></p>	<p>A <a href="#">robust performance management system</a> has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction and linked to PSIF</p>	Chief Executive	3	3	I and HR
	<p>Prepare and publish <a href="#">Statutory Performance Indicator Report</a>.</p>	Chief Executive	3	3	I and HR
	<p>Documented meetings have taken place to discuss performance at service level</p>	Chief Executive / Leader	3	3	Executive Directors / Members

<b>1.2.2 Put in place effective arrangements to identify and deal with failure in service delivery</b>	<p>An <a href="#">Audit Committee</a> has been established. Terms of Reference include governance and risk in addition to financial matters.</p> <p><a href="#">Audit Committee meetings</a></p> <p><a href="#">Part D of Constitution</a></p>	ED – Cus S	3	3	G and L
	<p>The Council is proactive in reviewing its services through the internal audit team and external auditors</p>	Internal Audit	3	3	Internal Audit
	<p>The Council has a formally established <a href="#">complaints policy and procedure</a></p> <p>Unified approach to complaints handling across the organisation with a common point of entry.</p> <p>Staff have been trained in dealing with complaints and empowered and supported to deal with complaints</p>	ED – Cus S	3	3	G and L
	<p>The complaints system records actions taken to prevent complaints recurring, and evidence that complaints inform positive service improvement.</p> <p>Regular testing of the complaints handling system to ensure it meets consumer needs and expectations</p> <p>The Council has in place robust Business Continuity Plans and processes which are subject to regular review and testing</p>	ED – Cus S	3	3	G and L
		Chief Executive	3	3	ED – Cus S

### 1.3 Supporting Principle: Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<b>1.3.1 Decide how value for money (VFM) is to be measured and make sure the Authority has the information needed to review VFM and performance effectively. Measure the environmental impact of policies, plans and decisions.</b>	<p>Best Value Reviews of Council services to ensure best value principles adhered to</p> <p>Benchmarking: comparing economy, efficiency and effectiveness of services through our involvement in the Local Government Benchmarking Framework <a href="#">benchmarking framework</a></p>	Chief Executive	3 3	All Directors
	<p>A <a href="#">robust performance management system</a> has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction and linked to PSIF</p>	Chief Executive	3 3	I and HR
	<p>The authority responds positively to and acts upon the findings and recommendations of external scrutiny</p>	Chief Executive	3 3	Chief Executive
	<p>The Council is proactive in reviewing its services through the internal audit team and external auditors <a href="#">Audit Committee</a></p>	SMT Audit Committee	3 3	SF
	<p>Prepare and publish <a href="#">Annual Accounts and Efficiency Statements</a></p>	Chief Executive	3 3	SF
	<p>Prepare and publish <a href="#">Statutory Performance Indicator Report</a></p>	Chief Executive	3 3	I and HR

## Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

**2.1 Supporting Principle: Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions, and the roles and responsibilities of the scrutiny function**

<u>Evaluation Key</u>	
1.	Not compliant with local code requirements
2.	Partially compliant with local code requirements
3.	Fully compliant with local code requirements
4.	Exceeds the requirements of the local code

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<b>2.1.1 Set out a clear statement of the respective roles and responsibilities of Members generally and of senior officers</b>	Statement of roles of Leader and Chief Executive included within the Council Constitution and will be reviewed annually. <a href="#">Part A of Constitution</a>	ED – Cus S	3 3	G and L
	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework <a href="#">Constitution</a>	ED – Cus S	3 3	G and L
	Local Code of Corporate Governance developed in line with CIPFA/SOLACE guidelines	ED – Cus S	3 3	G and L
	An updated Partnership Agreement to be approved for the Community Planning Partnership at the CPP Chief Officer's Group on 19th June 2013.	Chief Executive	3 3	I and HR

**2.2 Supporting Principle: Ensuring that a constructive working relationship exists between the authority members and officers, and that the responsibilities of members and officers are carried out to a high standard**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
2.2.1 Determine a scheme of delegation and reserve powers within the constitution, including a formal scheme on those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework <a href="#">Constitution</a>	ED – Cus S	3 3	G and L
2.2.2 Make the Chief Executive responsible and accountable to the authority for all aspects of operational management.	There are Terms of Reference and reporting arrangements for all sub-committees of the Authority <a href="#">Part C of Constitution</a>	ED – Cus S	3 3	G and L
2.2.3 Make a senior officer (the Section 95 Officer) responsible to the authority for ensuring that appropriate advice is given for all financial matters, for keeping proper financial records and accounts, and for maintaining effective systems of internal financial control.	Responsibilities of Chief Executive detailed within Council Constitution <a href="#">Part A of Constitution</a>	ED – Cus S	3 3	G and L
2.2.4 Make a senior officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Section 95 Officer role identified in the Council Constitution and included as a member of the Strategic Management Team <a href="#">Part A of Constitution</a>	Chief Executive ED – Cus S	3 3	SF
	Standing Orders and financial regulations contained in the Council Constitution <a href="#">Constitution</a>	ED – Cus S	3 3	G and L C and S SF
	<a href="#">Council Accounts</a> comply with statutory and professional reporting standards and are prepared and approved in accordance with a preset timetable <a href="#">Part D of Constitution</a>	Chief Executive	3 3	SF
	Senior Officer designated as Monitoring Officer. Role and responsibilities set out in the Council Constitution. <a href="#">Constitution</a>	ED – Cus S	3 3	ED – Cus S

**2.3 Supporting Principle: Ensuring relationships between the authority, its partners and the public are clear so that each other knows what to expect of the other**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<p><b>2.3.1 Develop protocols to ensure effective communication between members and officers in their respective roles</b></p>	<p>Protocols for Member / Officer relations detailed in the Council Constitution.</p> <p>The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members  <a href="#">Part F of Constitution</a></p>	<p>ED – Cus S</p>	<p>3 3</p>	<p>G and L</p>
<p><b>2.3.2 Ensure that an established scheme for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable) are in place.</b></p>	<p>Structured pay scales reflecting competence for Officers; Core Conditions of Service for Officers  <a href="#">Core conditions of service</a></p> <p>Scheme for Member remuneration and allowances.  <a href="#">Part F of Constitution</a></p>	<p>Chief Executive and ED – Cus S</p>	<p>3 3</p>	<p>ED – Cus S I and HR</p>
<p><b>2.3.3 When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.</b></p>	<p>An updated Partnership Agreement to be approved for the Community Planning Partnership at the CPP Chief Officer's Group on 19th June 2013.</p> <p>Reference within Councillor Code of Conduct to partnership working</p>	<p>Chief Executive</p>	<p>3 3</p>	<p>I and HR</p>

## Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

**3.1 Supporting Principle: Ensuring authority members and officers exercise leadership be behaving in ways that exemplify high standards of conduct and effective governance**

<u>Evaluation Key</u>
1. Not compliant with local code requirements
2. Partially compliant with local code requirements
3. Fully compliant with local code requirements
4. Exceeds the requirements of the local code

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<p><b>3.1.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.</b></p>	<p>The Council Constitution contains Standing Orders for meetings, a Scheme of Administration and Delegations, an Ethical Framework and a Code of Conduct <a href="#">Constitution</a></p>	ED – Cus S	3 3	G and L
	<p>Council business only held in private if required by legislation The Council has a formally established complaints policy and procedure. <a href="#">Complaints procedure</a> Minutes and Committee reports are published on the Council's website <a href="#">mod.gov</a> Compliance with the Data Protection and Freedom of Information Acts</p>	ED – Cus S	3 3	G and L
<p><b>3.1.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.</b></p>	<p>Protocols for Member / Officer relations detailed in the Council Constitution. The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members <a href="#">Part F of Constitution</a></p>	ED – Cus S	3 3	G and L
		ED – Cus S	3 3	G and L

<p><b>3.1.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</b></p>	<p>Council Constitution contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy <a href="#">Constitution</a></p>	ED – Cus S	3	3	G and L
	<p>Register of Members Interests is maintained <a href="#">Form issued to Members</a></p>	ED – Cus S	3	3	G and L

**3.2 Supporting Principle: Ensuring that organisational values are put into practice and are effective**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12	12/13	Lead Officer
<p><b>3.2.1 Develop and maintain shared values for both the organisation and staff reflecting public expectations, and communicating these with members, staff, the community and partners</b></p>	<p>The Council's strategic objectives are reflected in the <a href="#">Corporate Plan</a> and <a href="#">Single Outcome Agreement</a></p> <p>Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website</p>	Chief Executive	3	3	I and HR
<p><b>3.2.2 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</b></p>	<p>The Council Constitution includes Standing Orders for Meetings, Scheme of Administration and Delegations, and an Ethical Framework <a href="#">Constitution</a></p> <p>The Council Constitution contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy <a href="#">Constitution</a></p>	ED – Cus S	3	3	G and L



## Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and risk

**4.1 Supporting Principle: Being rigorous and transparent about how decisions are taken, and listening and acting on the outcome of constructive scrutiny**

		<u>Evaluation Key</u> 1. Not compliant with local code requirements 2. Partially compliant with local code requirements 3. Fully compliant with local code requirements 4. Exceeds the requirements of the local code		
Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<b>4.1.1 Develop and maintain an effective scrutiny function which encourages constructive challenges and enhances the authority's performance overall and that of any organisation for which it is responsible.</b>	The role of scrutiny has been established through a scheme of delegation and committee structures. <a href="#">Part C of Constitution</a>	ED – Cus S	3 3	G and L
<b>4.1.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</b>	Minutes and Committee reports are published on the Council's website <a href="#">mod.gov</a> Council business only held in private if required by legislation	ED – Cus S	3 3	G and L
<b>4.1.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</b>	Protocols of Member / Officer relations detailed in the Council Constitution <a href="#">Part F of Constitution</a> Protocols for Member / Officer relations detailed in the Council Constitution. The Council has fully endorsed the Councillor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members <a href="#">Part F of Constitution</a>	ED – Cus S	3 3	G and L
	The Council Constitution contains the Councillors Code, Audit Committee Terms of Reference, guidelines on the conduct of employees, protocol on Member / Officer relations, Public Interest Disclosure Policy	ED – Cus S	3 3	G and L

<u>Constitution</u>				
	Register of Members Interests is maintained <a href="#">Form issued to Members</a>	ED – Cus S	3	3
	The Council Constitution contains Standing Orders relating to Contracts <a href="#">Part E of Constitution</a>	ED – Cus S	3	3
	4.1.4 Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other arrangements for the discharge of the functions of such a committee.	ED – Cus S	3	3

**4.2 Supporting Principle: Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
4.2.1 Ensure that those making decisions are provided with information that is fit for purpose, relevant, timely, and gives clear explanations of technical issues and their implications.	Relevant information available to decision makers	Executive Directors	3	3
4.2.2 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and is used appropriately.	Relevant advice and information available to decision makers	Executive Directors	3	3

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#### 4.3 Supporting Principle: Ensuring that an effective risk management system is in place

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<p><b>4.3.1 Ensuring that risk management is embedded into the culture of the Authority with members and managers at all levels, recognising that risk management is part of their jobs.</b></p>	<p>A risk based approach is a key component of the Council's approach to <a href="#">planning and performance management</a> (Service Planning process requires identification of associated risks. Budget Monitoring process is risk based where a number of criteria are used to classify risk category of particular cost centres.)</p>	Chief Executive	2 3	SF
	<p><a href="#">Strategic and Operational Risk management</a> procedures and processes in place</p> <p>Appropriate <a href="#">risk management training</a> provided to Members and Officers</p> <p><a href="#">Risk Management Policy Statement and Strategy</a> in place</p> <p><a href="#">Strategic Risk group</a> in place to oversee risk management process</p> <p>The <a href="#">Audit Committee</a> has been given specific responsibilities including risk management</p>	Chief Executive	2 3	SF
<p><b>4.3.2 Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.</b></p>	<p>Whistle blowing policy</p> <p>Public Interest Disclosure Policy in Council Constitution</p> <p><a href="#">Part D of Constitution – anti-fraud strategy, including public interest disclosure policy</a></p>	ED – Cus S	3 3	G and L
		ED – Cus S	3 3	G and L

#### 4.4 Supporting Principle: Using their legal powers to the full benefit of the citizens and communities in their area

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
4.4.1 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.	<p>Council Constitution reflects the legal requirements placed upon the authority <a href="#">Constitution</a></p> <p>Statutory Plans, for example Local Plan <a href="#">local plan</a></p> <p>Senior Officer designated as Monitoring Officer. Role and responsibilities set out in the Council Constitution. <a href="#">Constitution</a></p>	ED – Cus S	3 3	G and L
4.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	<p>Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters <a href="#">Members' Seminars</a></p> <p>Advice from the Council's Chief Legal Officer or their nominated Officer is available at all decision making meetings</p> <p>Legal advice is available to all departments from the Council's Legal Services department</p>	Chief Executive ED – Cus S	3 3	I and HR G and L
4.4.3 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice, into their procedures and decision making processes.	<p>Council Constitution reflects the legal requirements placed upon the Council <a href="#">Constitution</a></p> <p>Senior Officer designated as Monitoring Officer. Roles and responsibilities set out in the Council Constitution <a href="#">Constitution</a></p>	ED – Cus S	3 3	G and L

## Principle 5: Developing the capacity and capabilities of members and officers to be effective

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<p><b>5.1 Supporting Principle: Making sure that members and officers have the skills, knowledge and experience, and resources they need to perform their roles well</b></p>	<p><b>Evaluation Key</b></p> <ol style="list-style-type: none"> <li>1. Not compliant with local code requirements</li> <li>2. Partially compliant with local code requirements</li> <li>3. Fully compliant with local code requirements</li> <li>4. Exceeds the requirements of the local code</li> </ol>			
<p><b>5.1.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.</b></p>	<p><a href="#">Induction training</a> provided to all new Elected Members</p> <p>The Council has fully endorsed the Councilor's Code of Conduct introduced under the Standards In Public Life etc (Scotland) Act 2000 and has provided a copy of the Code to all Members <a href="#">code of conduct</a></p> <p>Members code of conduct – constitution</p>	<p>ED – Cus S</p> <p>ED – Cus S</p>	<p>3 3</p> <p>3 3</p>	<p>ED – Cus S</p> <p>G and L</p>
<p><b>5.1.2 Ensure that statutory officers have the skills, resources and support necessary to perform actively in their roles and that these roles are properly understood throughout the authority.</b></p>	<p><a href="#">Corporate Induction Programme</a> in place for all new employees</p> <p><a href="#">Development and performance review process</a> in place for eligible employees, with training and development plans</p> <p><a href="#">Development and performance review process</a> in place for eligible employees, with training and development plans</p> <p>Job descriptions and Person Specifications in place for employees</p>	<p>Chief Executive</p> <p>Chief Executive</p> <p>Chief Executive</p>	<p>3 3</p> <p>3 3</p> <p>3 3</p>	<p>I and HR</p> <p>I and HR</p> <p>I and HR</p>

## 5.2 Supporting Principle: Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<b>5.2.1 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.</b>	Development and performance review process in place for eligible employees, with training and development plans <a href="#">PRD process</a> Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters <a href="#">Members' Seminars</a>	Chief Executive  Chief Executive ED – Cus S	3 3 3	I and HR  I and HR G and L
<b>5.2.2 Develop skills on a continuing basis to improve the performance, including the ability to scrutinise and challenge and to recognise when outside advice is needed.</b>	Development and performance review process in place for eligible employees, with training and development plans <a href="#">PRD process</a> Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters <a href="#">Members' Seminars</a>	Chief Executive  Chief Executive ED – Cus S	3 3 3	I and HR  I and HR G and L
<b>5.2.3 Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example, aim to address any training or development needs.</b>	An Audit Committee has been established. Terms of Reference include governance and risk in addition to financial matters. <a href="#">Audit Committee meetings</a> <a href="#">Part D of Constitution</a>  An Audit Committee has been established. Terms of Reference include governance and risk in addition to financial matters. <a href="#">Audit Committee meetings</a> <a href="#">Part D of Constitution</a>	ED – Cus S  ED – Cus S	3 3 3	G and L  G and L
	Development and performance review process in place for eligible employees, with training and	Chief Executive	3 3	I and HR

	development plans <a href="#">PRD process</a>			
	Training provided to relevant Members and Officers in areas of identified need, for example Planning and Licensing matters <a href="#">Members' Seminars</a>	Chief Executive ED – Cus S	3	3
				I and HR G and L

**5.3 Supporting Principle: Encouraging new talent so that best use can be made of individuals skills and resources in balancing continuity and renewal**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<b>5.3.1 Ensure that effective arrangements are in place designed to encourage individuals from all section of the community to engage with, contribute to and participate in the work of the Authority.</b>	<a href="#">Community and Employee engagement</a> activity	Chief Executive	3 3	Executive Directors I and HR

## Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

6.1 Supporting Principle: Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<u>Evaluation Key</u> 1. Not compliant with local code requirements 2. Partially compliant with local code requirements 3. Fully compliant with local code requirements 4. Exceeds the requirements of the local code			
Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<b>6.1.1 Clearly defined lines of accountability</b>	Public Performance Reporting Strategy (was presented to SMT and there has been a discussion but not at approval stage yet) <a href="#">Communications Strategy</a> ; <a href="#">Community and Employee engagement</a>	Chief Executive	3 3	G and L
<b>6.1.2 Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.</b>	The Council's strategic objectives are reflected in the <a href="#">Corporate Plan</a> and <a href="#">Single Outcome Agreement</a> Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website	Chief Executive	3 3	G and L
<b>6.1.3 Produce an annual report on the activity of the scrutiny function.</b>	Ability to communicate with discrete groups in an appropriate manner Annual Audit Committee report	Chief Executive	3 3	Executive Directors I and HR
		Chair of Audit Committee	3 3	Internal Audit Manager



**6.2 Supporting Principle: Taking an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the authority or in partnership**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
6.2.1 Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively.	Ability to communicate with all groups in an appropriate manner	Chief Executive	3 3	Executive Directors I and HR
6.2.2 Hold meetings in public unless there are good reasons for confidentiality	Minutes and Committee reports are published on the Council's website <a href="http://mod.gov">mod.gov</a>	ED – Cus S	3 3	G and L
6.2.3 Ensure that arrangements are in place to enable the authority to engage with all sectors of the community effectively. These arrangements should recognise that different sections of the community have different priorities and established explicit processes for dealing with these competing demands.	Council business only held in private if required by legislation	ED – Cus S	3 3	G and L
	Compliance with the Data Protection and Freedom of Information Acts	ED – Cus S	3 3	G and L
	Ability to communicate with discrete groups in an appropriate manner	Chief Executive	3 3	Executive Directors I and HR
6.2.4 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and satisfaction of service users in the previous period.	The Council's strategic objectives are reflected in the <a href="#">Corporate Plan</a> and <a href="#">Single Outcome Agreement</a>	Chief Executive	3 3	I and HR
	Corporate Plan and Single Outcome Agreement approved by Council and published on the Council's website			
	Prepare and publish <a href="#">Annual Accounts</a> and <a href="#">Efficiency Statements</a>	Chief Executive	3 3	SF
	Prepare and publish an <a href="#">Annual Report</a>	Chief Executive	3 3	I and HR
	Prepare and publish <a href="#">Statutory Performance Indicator Report</a>	Chief Executive	3 3	I and HR

<p><b>6.2.5 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</b></p>	<p>Minutes and Committee reports are published on the Council's website <a href="http://mod.gov">mod.gov</a>                  Council business only held in private if required by legislation                  Compliance with the Data Protection and Freedom of Information Acts</p>	<p>ED – Cus S</p>	<p>3 3</p>	<p>G and L</p>
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**6.3 Supporting Principle: Making best use of human resources by taking an active and planned approach**

Local Code	Demonstrating Compliance	Responsible	Evaluation 11/12 12/13	Lead Officer
<p><b>6.3.1 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</b></p>	<p>The Council has in place an Employee Joint Consultative Committee (EJCC)  <a href="#">Minutes of EJCC</a>                  Development and performance review process in place for all employees, with training and development plans  <a href="#">PRD process</a>                  Mechanisms and processes are in place for communication and engagement with employees  <a href="#">The Hub – news – cascade</a></p>	<p>Chief Executive</p>	<p>3 3</p>	<p>I and HR</p>
<p><b>6.3.2 Planned approach to securing a workforce for the future</b></p>	<p>The Council has in place strategies for the <a href="#">Recruitment and Retention</a> of employees</p>	<p>Chief Executive</p>	<p>3 3</p>	<p>I and HR</p>

## Argyll and Bute Council – Corporate Governance Action Plan 2013/2014

The Corporate Governance Action Plan outlines the actions required to raise areas rated as partially compliant to a level rated as fully compliant with the requirements of the code along with actions being undertaken to maintain some areas rating as fully compliant.

Ref	Local Code	Actions to achieve compliance	Success measures	Key dates	Lead	Ref.
CG-1	Develop and promote the Authority's purpose and vision	The Public Performance Reporting strategy has been reviewed, updated and approved	Strategy implemented	31 Dec 2013	Head IHR	CG Code 1.1.1
CG-2	Develop a corporate framework for partnerships within the CPP	Development of partnership agreement for key partnerships	Partnership Agreement to be approved by CPP	30 June 2013	Head IHR	CG Code 1.1.3 2.1.1
CG-3	A robust performance management system has been developed which enables all operations to be reported on in terms of meeting performance standards targets and levels of customer satisfaction	Full review of PPMF including PSIF element being undertaken as part of CIB Service Improvement and Productivity Project	PPMF reviewed	31 March 2014	Head IHR/SF	CG Code 1.2.1 1.3.1

<b>CG-4</b>	<b>The Council has in place robust Business Continuity (BC) plans and processes which are subject to regular review and testing</b>	Strategic Risk Group BC Action Plan 13/14 approved	All actions completed	30 Sept 2013	Head G&L	CG Code 1.2.2
<b>CG-5</b>	<b>The Council Constitution includes Standing Orders for Meetings, Scheme of Administrations and Delegations, and an Ethical Framework</b>	Scheme of administrations and delegations reviewed and updated	Current Scheme of delegation and administration being reviewed in terms of the new PMA as agreed by the Council's Administration	30 Sept 2013	Head G&L	CG Code 2.1.1 2.2.1
<b>CG-6</b>	<b>A risk based approach is a key component of the Council's approach to planning and performance management</b>	Strategic Risk Group RM Action Plan 13/14 approved	All actions completed	31 March 2013	Head SF	CG Code 4.3.1

## Statement of Governance and Internal Control 2012/13

### BACKGROUND

Argyll and Bute Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economic, efficient and effective use of public money.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework Note for Scottish Authorities – Delivering Good Governance in Local Government (2007).

A copy of the Code may be obtained from the Head of Governance and Law, Kilmory, Lochgilphead, PA31 8RT.

### THE GOVERNANCE FRAMEWORK

The Code of Corporate Governance details how the Council will demonstrate compliance with the fundamental principles of Corporate Governance for public sector bodies to the following six headings:

- Focusing on the purpose of the Authority and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

### GOVERNANCE ROLES AND RESPONSIBILITIES

Argyll and Bute Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The Director of Customer Services as Monitoring Officer has responsibility for:

- Overseeing the implementation of the Code of Corporate Governance and monitoring its operation; and
- Reporting annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness

Account has been taken of the results of reviews of internal control that have been carried out within each Council Service. Specific responsibilities are assigned to the Head of Strategic Finance to ensure that public funds are properly accounted for.

## **INTERNAL FINANCIAL CONTROL**

In ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned, this statement also covers the other bodies whose activities are incorporated into our Group Accounts, i.e.

- Strathclyde Joint Police Board;
- Strathclyde Fire and Rescue Joint Board;
- Dunbartonshire and Argyll & Bute Valuation Board;
- Strathclyde Partnership for Transport; and
- Strathclyde Concessionary Travel Scheme Joint Committee.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by officers within the Council and the above named bodies. In particular the system includes:

- Comprehensive budgeting systems;
- Regular reviews by the Council and the above named bodies of periodic and annual financial reports which indicate financial performance against forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against forecast;
- Clearly-defined capital expenditure guidelines;
- Project management disciplines;
- Guidance relating to financial processes, procedures and regulations; and
- An effective Internal Audit Section.

## **RISK MANAGEMENT**

The Council's Risk Management and Business Continuity Strategies continued to be developed in 2012/13. Throughout the year the Audit Committee received regular reporting from the Head of Strategic Finance to assist them in their assessment of internal control and risk. The Audit Committee also received and reviewed reports on both business continuity and governance arrangements from the Head of Governance and Law.

## **INTERNAL AUDIT**

Argyll and Bute Council and the above named bodies have an internal audit function, which operate to standards defined in the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The work of internal audit is informed by an analysis of the risk to which the Council and the above named bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's and the named bodies' Audit Committees endorse the analysis of risk and internal audit plans.

The Chief Internal Auditor provides the Audit Committee with an annual report on internal audit activity in the Council. The report includes an independent opinion on the adequacy and effectiveness of the Council's systems of governance and internal control and concludes that systems for internal control were effective during 2012/13 with no identified material weaknesses.

## **ISSUES FOR FURTHER DEVELOPMENT**

The review of governance and internal control has identified the following areas for further development the following areas for consideration during 2013/14, particularly in the context of the continuous improvement within the Council:-

- The continued development and support of the corporate improvement plan;
- Continued development of performance management throughout the Authority by means of Pyramid, the Council Performance Management System;
- The implementation of performance self-assessment using the Public Service Improvement Framework (PSIF);
- Risk management and business continuity will continue to be developed and embedded within the Department;
- To maintain the quality of services in a time of budget constraints and continued implementation of agreed budget savings; and
- Ensure delivery of key objectives through continued close working with Community Planning Partners (CPP).

## **ASSURANCE**

The review of the effectiveness of the system of governance and internal financial control is informed by:

- The work of Officers within the Council;
- The work of Internal Audit as described above;
- The work of External Audit;
- The Statements of Governance and/or Internal Control provided by the bodies incorporated into our Group Accounts;
- External review and inspection reports; and
- Recommendations from the Audit Committee.

It is the Council's view that the systems for governance and internal control are operating effectively within Argyll and Bute Council and the aforementioned bodies during 2012/13 and that there are no significant weaknesses. This assurance is limited, however, to the work undertaken during the year and the evidence available at the time of preparing this statement.

Cllr Roddy McCuish  
Leader

Sally Loudon  
Chief Executive

Bruce West  
Head of Strategic Finance

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**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
21 JUNE 2013**

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**AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2012 - 2013**

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**1. SUMMARY**

In compliance with the CIPFA Code of Practice for Internal Audit, on a quarterly basis the Audit Committee receives Audit Scotland reports pertaining to Local Government. There are four reports appended for the Audit Committee. Three of the reports contain a checklist for which a management response has been provided.

**2. RECOMMENDATIONS**

2.1 It is advised that in future the full Audit Scotland National Reports will be issued to Members as they are published and advising at what Audit Committee meeting they will be discussed. A summary of these reports will be included in future agenda packs along with management responses where applicable.

**3. DETAILS**

3.1 Audit Scotland in March 2013 published a report entitled, Major Capital Investment in Councils, highlights the £27 billion invested since 2000/01 on schools, social housing, sports and leisure centres and other projects. This finance method has been used by the Council to enable new schools to be built. The report highlights that Councils have improved their oversight of major capital projects in recent years and are clearer about their broad goals. The report also states that this Council is one of three councils who are working with the Scottish Futures Trust (SFT) to develop Tax Incremental Financing (TIF) business cases. A management response is attached to the key findings in this report.

3.2 In March 2013, Audit Scotland issued the following report, "Responding to challenges and change - An overview of local government in Scotland 2013". Councils spent a total of £21 billion providing a range of essential local services and most councils are predicting substantial funding gaps over the next three years. The report states that Councils are taking this very seriously and are responding well. Management have provided responses to the key issues raised in this report.

3.3 The Local Government Scrutiny Coordination Strategic Group, in April 2013, published their scrutiny plans based on a risk assessment process. The process is designed to identify where scrutiny activity will make the most difference in terms of helping councils to improve and provide assurance to the public. Attached to the report is the national scrutiny plan for 2013/14 covering 32 Councils. The inspections for this Council

will take place in the first quarter of the financial year.

- 3.4 Audit Scotland published a report in May 2013 entitled, "Managing early departures from the Scottish public sector". The report is an aid to help public bodies improve their management and reporting of early release schemes. The report says such schemes can provide significant savings, and public bodies generally are following good practice. In the period 2010/12 almost 14,000 employees took such packages which is approximately one in 40 of all public sector staff at a cost of £550 million. Argyll and Bute Council had 456 employees take up the early release scheme option between 2010/12 which was equal to one in every 8.7 FTE Council employees at a cost of £4.8m. The Council is referred to in the report in Part 3 Section 29 under the heading principles of best practice. Attached are management responses to key issues raised in the report.
- 3.5 Audit Scotland in May 2013 issued an update report entitled, "Maintaining Scotland's roads". The report charts the progress made by councils across Scotland against recommendations made in a 2011 national report. The update, based on reports from local auditors, says that the percentage of local roads in acceptable condition has marginally increased over the last two years, despite a 21 per cent reduction in spending between 2009/10 and 2010/11. The Head of Roads and Amenity Services is due to report back to the committee in September 2013 and therefore the national report will come to that meeting providing Members an opportunity to obtain direct comment.
- 3.6 In December 2012, Audit Scotland published a report entitled, 'Health Inequalities in Scotland'. The report highlights that whilst overall health has improved over the past 50 years, deep-seated inequalities remain. The national report came with a checklist for completion. The Audit committee requested that responses to the checklist in the report be discussed with the CPP to create a unified response with these reported to the June Committee. An initial response to the checklist was prepared by the council and circulated to CPP members for consideration. The joint response was considered in draft but not presented to the CPP Management Committee. The information collated as part of the response is being critically reviewed as a mechanism for informing the preparation of the new Argyll and Bute Single Outcome Agreement, which is currently in draft format. The national guidance for SOAs specifically refers to the need for health inequalities to be addressed.
- 3.7 In March 2013, Audit Scotland issued a national report entitled "Improving community planning in Scotland". The report says community planning is now at a cross roads. A fresh drive to realise its full potential, particularly in the light of severe budget pressures on all public services, has been outlined in a Statement of Ambition from the Scottish Government and the Convention of Scottish Local Authorities. The report is attached and a management report covering both reports has been prepared with a further response planned for the September committee.

- 3.8 Full reports can either be viewed at [http://www.audit-scotland.gov.uk/work/local\\_national.php](http://www.audit-scotland.gov.uk/work/local_national.php) 2012/13 and 2013/14 or viewed in the Committee Room 1 where a copy has been made available.

**4. CONCLUSIONS**

This report and attachments are submitted to the Audit Committee for consideration and review.

**5. IMPLICATIONS**

5.1	Policy:	None
5.2	Financial:	None
5.3	Legal:	None
5.4	HR:	None
5.5	Equalities:	None
5.6	Risk:	None
5.7	Customer Service:	None

For further information please contact Ian Nisbet, Chief Internal Auditor (01546 604216). 13 June 2013

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**Internal Audit Report**

Revenues Team

**Internal Audit Review of Income: Council Tax**

May 2013

## 1 INTRODUCTION

As part of the annual audit plan for 2012/13 internal audit undertook a review of Council Tax functions and its activities. An internal audit review of Income was undertaken that considered the activities of the Revenues Team, which is led by the Revenues Supervisor who reports to the Revenues and Benefits Manager, both of whom are based at Witchburn Road, Campbeltown.

With regards to Council Tax responsibilities, the Revenues Supervisor is supported by the Council Tax Support Officer and Council Tax Team Leader. The staff in the Council Tax Assessment Unit (9 FTE) report to the Council Tax Team Leader and the unit is supported by Clerical Assistants (Scanning) (1 FTE).

Appendix 3 shows the position of staff with Council Tax responsibilities within the Revenues Team structure. Council Tax positions are highlighted in light grey whilst the Corporate Debt Recovery Team, which is responsible for pursuing the recovery of overdue Council Tax accounts, is highlighted in dark grey.

The monthly collection statistics for 2012/2013 Council Tax year at 31 December 2012 showed the following:

Gross Council Tax Billed	£55,186,708
Total Net Billed	£41,847,730
Total Collected*	£35,832,327

\*The collection rate of 85.63% is well above the target set at 31 December of 85.10%. Council tax is payable over 10 instalments April to January so not all the amount bill is due and payable at 31 December. At the year-end we achieved cumulative collections of 96.28% after allowing for year end adjustments for cash in transit, refunds due in respect of overpaid accounts and accruals for discounts and exemptions not yet granted.

As at 9 January 2013 Council records identified that there are 47,216 domestic properties subject to Council Tax.

As at 31 January 2013 the total amount of outstanding Council Tax debt (1993/94 – 2012/13) being pursued by the Sheriff Officers was £12,998,398.49.

The annual Council Tax target, 1 June to 31 May each year, for the Sheriff Officers collections is £2.9m. In the 6 month period, 1 June to 30 November 2012, £1,534,336 of Council Tax bad debt was collected. As at 31 December 2012, the projected collection rate for the year, 1 June 2012 to 31 May 2013, was 108.97% (£3,160,150).

## 2 AUDIT SCOPE AND OBJECTIVES

This is the first year of a 3 year cycle of income audits. The scope of this audit was to undertake a high level review and assess the adequacy of

controls in place to ensure that the Revenues Team identify, bill, collect and account for Council Tax income owed to the Council on a timely basis.

Testing was undertaken to assess the effectiveness of the present operational controls. The intended approach is for internal audit to undertake substantive testing over the next 2 years that will cover Welfare Reform changes as they occur.

### **3 RISK ASSESSMENT**

As part of the audit process the risk register was reviewed to identify any risks that potentially impact on the audit. The following risks were identified.

- SR16 Failure to have a robust internal control process and system;

### **4 CORPORATE GOVERNANCE**

No corporate governance issues were identified during the audit.

### **5 MAIN FINDINGS**

The only major issue identified during the review relates to members of the public being able to access restricted areas due to a broken internal security door. Although the likelihood of an incident is low, the potential consequences represent a significant legal, financial and reputational risk to the Council.

It is clear from interviews with staff and observation of the various teams at work that the Revenues Team is a close knit group that comprises experienced and capable staff with sufficient collective knowledge and ability to deliver the Council's requirements.

Whilst some members of staff have significant experience and need little guidance, it is also important that documented guidance is current and complete to ensure that new and less experienced staff members are familiar with their responsibilities.

### **6 RECOMMENDATIONS**

One high and two low recommendations were identified during the audit.

The recommendations are detailed in the action plan attached at Appendix 2, which has been compiled with the co-operation and agreement of the Revenues Supervisor and Revenues & Benefits Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set an achievable implementation date and will be required to provide a reason to the Audit Committee for failure to implement within the agreed timescales. Where

management decides not to implement a recommendation it must evaluate and accept the risk associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as high, medium or low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

Based on the findings of the audit review we are satisfied that there are adequate controls and procedures in place to ensure that the Revenues Team identify, bill, collect and account for Council Tax income on a timely basis.

The recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## 8 ACKNOWLEDGEMENTS

Thanks are due to the Revenues Team for their co-operation and assistance at all stages of the audit.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this



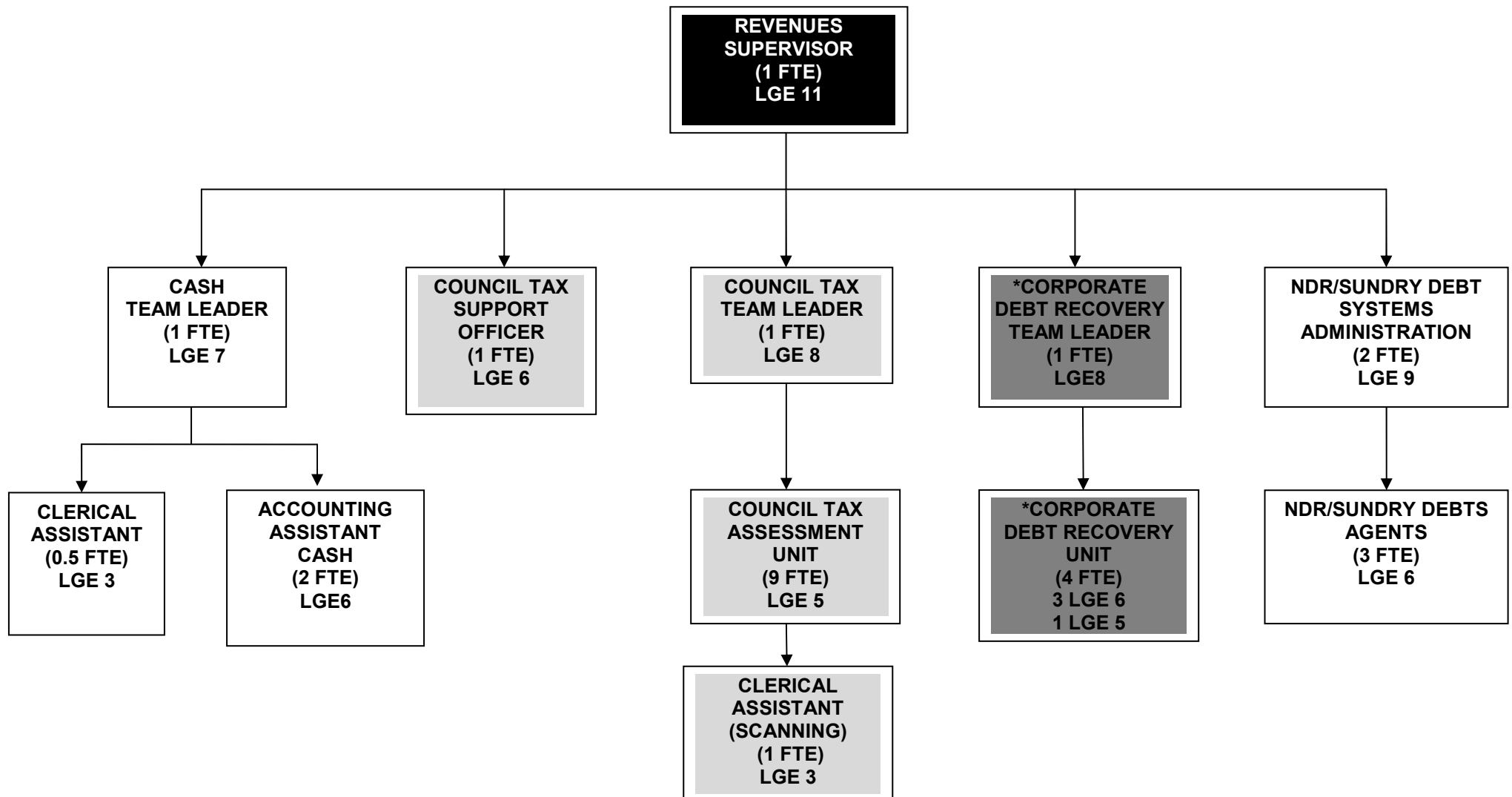
report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

## APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Due to a broken internal security door it is possible for members of the public to gain access to restricted areas.	High	The broken internal security door should be fixed to prevent public access. .	Revenues and Benefits Manager	Complete

### APPENDIX 3 COUNCIL TAX TEAM (WITHIN REVENUES STRUCTURE)




































\*Includes Corporate Debt Recovery Team, which is responsible for pursuing overdue Council Tax accounts



**APPENDIX 4 COUNCIL TAX PYRAMID SCORECARD (9.1.13)**

	CTAX Total payments received this period	£ 5,127,992 (Dec 12)		
	CTAX Total payments received to date	£ 48,695,067 (Dec 12)		
	Council Tax % income received to date	85.63 % (Dec 12)		
	CTAX account monitoring meetings	1 (FQ3 10/11)		
	CTAX annual bills issued on time	100 % (FY 09/10)		
	CTAX Complaints - received at Council	1 (Feb 12)		
	CTAX Complaints - upheld by Ombudsman	0 (Feb 12)		
	CTAX income due	£ 41,847,730 (Dec 12)		
	CTAX income received this period	£ 48,695,067 (Dec 12)		
	CTAX income received to date	£ 35,832,327 (Dec 12)		
	CTAX no of chargeable dwellings	47,213 (Dec 12)		
	CTAX no of staff	13.5 (Jan 13)		
	SPI local - CTAX % income received QTD	95.68 % (FQ4 11/12)		
	SPI local - CTAX Collection Costs per chargeable dwelling	£ 11.95 (FY 10/11)		
	CTAX payments - % DD payments this period	65.43 % (Dec 12)		
	CTAX payments - % income received by DD this period	81.00 % (Dec 12)		
	CTAX payments - % income received by DD to date YTD	75.98 % (Dec 12)		
	CTAX payments - income received by DD this period	£ 4,153,844 (Dec 12)		
	CTAX payments - income received by DD to date	£ 36,999,878 (Dec 12)		
	CTAX payments - Number of DD payments this period	30,893 (Dec 12)		
	CTAX payments - Number of DD payments to date	280,984 (Dec 12)		
	CTAX payments - Payments this period	47,213 (Dec 12)		
	CTAX payments - payments to date	£ 48,695,067 (Dec 12)		
	CTAX periodic bills issued on time	100 % (Dec 12)		
	CTAX Queries - %correspondence dealt with within 10 working days	79.17 % (Dec 12)		

Argyll & Bute Council  
Internal Audit Review of Income: Council Tax

	CTAX Queries - % customers dealt with within 15 minutes	100 % (Dec 12)		
	CTAX Queries - % telephone calls answered within 5 rings	0.00 % (Dec 12)		
	CTAX staff per 1000 chargeable dwellings	0.2859 (Dec 12)		
	IF01aA1 - Tax by direct debit	On track (Jan 11)		
	IF01aA2 - Monitor monthly collections	On track (Jan 11)		
	IF01aA3 - Work closely with sheriff officers under new contract	On track (Jan 11)		
	CTAX and NDR Debt type & profile targeting	1 (FQ3 10/11)		
	CTAX Qtly account meeting with Sheriff officers	Yes (FQ3 10/11)		
	IF01aA4 - Investigate eBilling	Concerns, being addressed (Jan 11)		
	CTAX follow up documentation issued on time	100 % (Dec 12)		
	IF01aA5 - Be responsive to difficult economic climate	On track (Jan 11)		
	CTAX % of returns in time to Scottish Government	100.0 % (FQ3 10/11)		
	test	85.63 (Dec 12)		
	CTAX income received details			

### 1.CT Investigate eBilling

	Subjective assessment
Apr 10	Concerns, being addressed
May 10	Concerns, being addressed
Jun 10	Concerns, being addressed
Jul 10	Concerns, being addressed
Aug 10	On track
Sep 10	On track
Oct 10	On track
Nov 10	On track
Dec 10	On track
Jan 11	Concerns, being addressed
Feb 11	
Mar 11	

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**Internal Audit Report**

Revenues Team

**Internal Audit Review of Income: Non-Domestic Rates**

May 2013

## 1 INTRODUCTION

As part of the annual audit plan for 2012/13 internal audit undertook a review of Income that considered the activities of the Revenues Team, which is led by the Revenues Supervisor who reports to the Revenues and Benefits Manager. Both are based at Witchburn Road, Campbeltown.

With regards to Non-Domestic Rates (NDR) functions and activities, the Revenues Supervisor is supported by the NDR/Sundry Debt Administrators (2 FTE) and their direct reports, the NDR/Sundry Debt Agents (3 FTE).

NDR functions and activities are mainly undertaken by designated NDR/Sundry Debt Administrators (2\*0.5 FTE) and NDR/Sundry Debt Agents (2 FTE) with cover provided to/from the other administrator and agent with core sundry debt responsibilities as required.

Appendix 3 shows the position of staff with NDR responsibilities within the Revenues Team structure. NDR positions are highlighted in light grey whilst the Corporate Debt Recovery Team, which is responsible for pursuing the recovery of overdue NDR accounts, is highlighted in dark grey.

The monthly collection statistics for the 2012/2013 NDR year at 31 December 2012 showed the following:

Gross NDR Billed	£37,252,254
Total Net Billed ^	£28,739,734
Total Collected *	£24,286,648

^ After deducting £7,762,042 (Reliefs), £709,889 (Empty Properties) and £40,587 (Deferment carried forward).

\*The collection rate of 84.51% was slightly below the target of 85.00%. If a customer opts to pay by direct debit, NDR is payable in 10 instalments from May to February so the full amount was not due and payable at 31 December. At year end the percentage of achieved collections was 97.08% after allowing for usual year-end adjustments. This was down on the previous year position of 97.79%. However, collections and at the end of May had increased to 97.66%. For the previous year 2011/12, cumulative collections are now 99.29%.

## 2 AUDIT SCOPE AND OBJECTIVES

This is the first year of a 3 year cycle of Income audits. The scope of this audit was to undertake a high level review and assess the adequacy of controls in place to ensure that the Revenues Team identify, bill, collect and account for NDR income owed to the Council on a timely basis.

The intended approach is for internal audit to undertake substantive testing over the next 2 years.



### **3 RISK ASSESSMENT**

As part of the audit process the risk register was reviewed to identify any risks that potentially impact on the audit. The following risks were identified.

- SR16 Failure to have a robust internal control process and system;

### **4 CORPORATE GOVERNANCE**

No corporate governance issues were identified during the audit.

### **5 MAIN FINDINGS**

The only major issue identified during the review relates to members of the public being able to access restricted areas due to a broken internal security door. Although the likelihood of an incident is low, the potential consequences represent a significant legal, financial and reputational risk to the Council.

Our general conclusion, based on interviews with staff and observation of the various teams at work, is that the Revenues Team is a close knit group that comprises experienced and capable staff with sufficient collective knowledge and ability to deliver the Council's requirements.

The review identified that the introduction of Business Improvement Districts (BID) has impacted on the workload of the NDR staff. We feel that it is important that the Council assesses the associated resource implications and takes appropriate steps to manage the situation.

An area that we feel could be improved is that of NDR management information. Sheriff Officer related information was difficult to interpret whilst some of the Pyramid information was not found to be current or complete.

### **6 RECOMMENDATIONS**

Five recommendations, one high, three medium and one low, were made as a result of the audit.

The recommendations are detailed in the action plan attached at Appendix 2, which has been compiled with the co-operation and agreement of the Revenues Supervisor and Revenues & Benefits Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendation should be implemented in accordance with the agreed action plan. Management have set an achievable implementation date and will be required to provide a reason to the Audit Committee for failure to implement within the agreed timescale. Where

management decides not to implement a recommendation it must evaluate and accept the risk associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as high, medium or low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

Based on the audit findings we conclude that there are adequate controls and procedures in place to enable the Revenues Team to identify, bill, collect and account for NDR income owed to the Council on a timely basis

The recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## 8 ACKNOWLEDGEMENTS

Thanks are due to Revenues staff for their co-operation and assistance at all stages of the audit.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report

it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.



## APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Due to a broken internal security door it is possible for members of the public to gain access to restricted areas.	High	The broken internal security door should be fixed to prevent public access. .	Revenues and Benefits Manager	31 July 2013
2	NDR/Sundry Debt job descriptions do not include a reference to Business Improvement District (BID) activities. This is a recent development and it was evident from the amount of phone calls witnessed during the audit visit that this initiative is increasing the workload of NDR staff.	Medium	<p>NDR staff job descriptions should be updated to include BID related activities.</p> <p>The potential impact of the BID initiatives on the NDR workload should be assessed with appropriate action taken to ensure that sufficient resources and training is made available to support the NDR section whilst limiting the impact on core NDR/sundry debt workload</p>	Revenues and Benefits Manager	30 September 2013

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	<p>The Council monitors the bad debt position and the performance of the Sheriff Officers each month. However, the information provided relating to the monthly statistics was difficult to follow and it appeared that some of the figures/calculations were incorrect.</p>	Medium	<p>The Corporate Debt Recovery Team should consider revising the current NDR Sheriff Officer reports to make them easier to follow. They should consider adopting the Council Tax spread sheet format for recording and monitoring the NDR bad debt position and/or include a summary cover sheet.</p> <p>As a minimum the NDR Sheriff Officer reports should report the following:</p> <ul style="list-style-type: none"> <li>• Outstanding bad debt position (per year and in total)</li> <li>• The amount of NDR collected in the year to date by the Sheriff Officers</li> <li>• The projected 'bad debt' NDR collection rate for the year</li> </ul>	Revenues and Benefits Manager	30 SEPTEMBER 2013

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
			<ul style="list-style-type: none"> <li>Collection performance against the Sheriff Officer's target</li> </ul>		
5	NDR information recorded in Pyramid is not current.	Medium	Performance and management information recorded in Pyramid should be updated on a regular basis to ensure that the information remains current. Measures that are no longer considered relevant should be deleted from the system in order that NDR performance is not misreported or misrepresented.	Revenues and Benefits Manager	30 SEPTEMBER 2013

