

Public Document Pack

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart



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23 June 2008

AUDIT COMMITTEE – 27 JUNE 2008

I enclose herewith item 13 (**UNAUDITED ACCOUNTS 2007-2008**) and item 18 (**INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE**) which were marked “to follow” on the above agenda.

Nigel Stewart
Director of Corporate Services

TO FOLLOW ITEMS

13. UNAUDITED ANNUAL ACCOUNTS 2007-2008

Report by Head of Strategic Finance (report previously circulated with Council Supplementary Agenda Pack on 23 June 2008 – Members should bring this copy with them to the Audit Committee)

18. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

- (a) Report by Internal Audit Manager (Pages 1 - 14)
- (b) Budgetary Control (Pages 15 - 18)
- (c) Business Continuity Planning (Pages 19 - 22)
- (d) Car Allowances - Community Services (Pages 23 - 26)
- (e) Car Allowances - Operational Services (Pages 27 - 30)
- (f) Contract Audit - Bruichladdich Pier (Pages 31 - 34)
- (g) Contract Audit - Gigha Primary School (Pages 35 - 38)
- (h) Special Investigation - Mobile Phones (Pages 39 - 42)
- (i) Special Investigations SMT Decisions (Pages 43 - 48)
- (j) Tendering (Pages 49 - 50)
- (k) Treasury (Pages 51 - 52)
- (l) Unified Benefits (Pages 53 - 56)
- (m) General Ledger Operations (Pages 57 - 60)
- (n) Purchasing ICT/eProcurement (Pages 61 - 64)
- (o) Debtors (Pages 65 - 68)
- (p) Partnership Project Funding - Public Transport and Infrastructure Project Development (Pages 69 - 70)
- E1** (q) Special Investigation - Pool Cars (Pages 71 - 76)
- E1** (r) Special Investigation - Planning Applications (Pages 77 - 82)

The Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an “E” on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraph is:-

E1 **Paragraph 1** Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office-holder, former office-holder or applicant to become an office-holder under the authority.

AUDIT COMMITTEE

Councillor Gordon Chalmers
Councillor Bruce Marshall
Ian M M Ross
Christopher Valentine

Councillor Mary-Jean Devon
Councillor Roderick McCuish
Councillor Ron Simon

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ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
27 JUNE 2008

INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2008 - 2009

1. SUMMARY

The Code of Practice for Internal Audit in Local Government (the Code) issued by CIPFA in 2000 sets out good practice in delivering internal audit services. The Code was revised in 2006 and Grant Thornton UK LLP, in May 2007 carried out a Code compliance review resulting in a report. One resultant recommendation required that internal audit reports be reported to the Audit Committee. Attached are report summaries and action plans from recent audits. See Appendix 1.

2. RECOMMENDATIONS

2.1 The contents of this report are noted and are to be followed up by Internal Audit.

3. DETAILS

3.1 Set out below and in the attached Appendix is the Executive Summaries and Action Plans where applicable from finalised audit work. The Action Plans detail only those recommendations where Internal Audit in agreement with management have classified the finding either Fundamental or Material. Therefore Minor findings and recommendations have been removed. The contents of this report will therefore complement the External & Internal Audit Follow Up report provided to the Audit Committee on a quarterly basis.

3.2 As at the 3rd of June 2008, of 15 core financial systems audits set out in the adjusted audit plan as at the 14th of December 2007, 13 have been completed. In total, 7 core financial audit reports have been presented to the Audit Committee as at the 27th of March 2008. A further 6 final reports are attached for this reporting period:

- Budgetary Control
- Car Allowances (2 reports)
- Unified Benefits
- General Ledger Operations
- Purchasing ICT/eProcurement
- Debtor Accounts

Of the Major Capital Audit 4 final reports have been issued:

- Contract Audit – Bruichladdich Pier
Gigha Primary School
- Tendering Procedures – Port Askaig Pier
- Treasury Management

The following audits are at draft stage and the reports will be presented to the Audit Committee after a final meeting is held with management. The audits are:

- Major Capital Audit – Overview report

The audit of Cash Income & Banking is on hold as a result of the secondment of the Internal Audit Manager and will be completed on his return.

- 3.3 As at the 3rd of June 2008, of 14 non-financial audits set out in the adjusted audit plan as at the 14th of December 2007, 12 audit areas have been completed. A total of 9 final reports have been presented to the Audit Committee as at the 27th of March 2008. A further 2 reports are provided for this reporting period, they are:
- Business Continuity Planning
 - Partnership Project Funding – Public Transport & Infrastructure Project Development

A report on Disclosure Scotland has still to be submitted to SMT and thereafter will be submitted to the Audit Committee in September 2008.

The following audits are at draft stage and the reports will be presented to the Audit Committee after a final meeting is held with management. The audits are:

- Community Services – Social Work

One audit, Policy & Strategy – Best Value has been deferred until 2008/2009.

- 3.4 Internal Audit has carried out a number of Special Investigations and the following reports are attached.
- Review of use of mobile phones
 - Review of use of pool cars
 - Review of planning application
 - Follow up of SMT decisions

4. CONCLUSIONS

Executive summaries and action plans from final reports will be submitted to the Audit Committee.

5. IMPLICATIONS

5.1	Policy:	None
5.2	Financial:	None
5.3	Personnel:	None
5.4	Legal:	None
5.5	Equal Opportunities:	None

For further information please contact Alex Colligan, Internal Audit Manager (01546 604271).

19th June 2008



Annual Internal Audit Report 2007 - 2008

June 2008

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1. FOREWORD

The annual audit plan for 2007 – 2008 has been delivered in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom ('the Code'). As well as complying with the Code, Internal Audit has to comply with its Mission Statement and Terms of Reference, both of which have previously been approved by the Audit Committee and are covered below.

2. INTERNAL AUDIT - MISSION STATEMENT

"To contribute to the achievement of Argyll and Bute Council's mission and strategic objectives by providing assurance to the Council that financial and operational controls and arrangements for Best Value are functioning efficiently and effectively, and that the significant risks to the organisation are being managed."

3. INTERNAL AUDIT - TERMS OF REFERENCE

Objectives

- To assist the Council and its Strategic Management Team in their governance responsibilities;
- To provide assurance on the adequacy of control within the Council's systems and activities;
- To advise management on cost effective controls for new or modified systems and activities;
- To highlight opportunities to reduce costs through greater economy and efficiency within systems and activities.

Scope

The scope of Internal Audit includes the examination and evaluation of the adequacy and reliability of Council systems of internal control. To this end an annual audit plan is presented to the Audit Committee for approval with any adjustments reported throughout the year. The work of Internal Audit therefore provides assurance across all of the Council's activities.

In addition, Internal Audit may perform special reviews requested by the senior management or the Audit Committee. When plans are changed for such reviews, this is reported to the Audit Committee so that it clearly understands the implications on resources and for the assurance it requires about internal controls, and any impact on the delivery of the agreed annual audit plan.

4. INTERNAL AUDIT – ACTIVITY AREAS

To fulfil the above responsibilities Internal Audit undertakes the following activities based on an annual audit plan:

Core Financial Audits

Internal Audit has a responsibility to evaluate and test financial and management information systems in order to provide an opinion as to the adequacy of control within the Council. As a

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result of this work departmental management receive audit reports with recommendations offering suggestions and advice to enable rectification of system weaknesses, and to assist them with compliance and risk control.

Non Core Financial Audits

The Code requires that Internal Audit not only review financial systems but also other systems of management control used to ensure the Council's objectives are being properly managed, and that control arrangements have been established and operate within the Council to achieve Best Value, VFM and Performance Improvement in service delivery. Internal Audit in complying with the Code, prepare this section of the annual audit plan incorporating high risk areas identified by all Heads of Service through an operational risk exercise. This exercise is supported by both the Corporate Services Department – Democratic Services and Governance section, and KPMG our Internal Audit partners.

Contingency and Other Areas

Within the annual audit plan contingency direct audit days are set aside for unforeseen events which, by their very nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control that cannot be accommodated within planned audits.

Clearly, the extent to which any contingency requirement is used depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity. In addition, direct audit days are provided in the annual plan for the follow up of management agreed recommendations cited in external and internal audit reports, risk management and annual planning, this is designated as other areas.

Internal Audit Reporting

Audit Committee

The Audit Committee holds quarterly meetings at which they review progress on:

- The annual audit programme in terms of audits planned and completed with the number of days expended;
- The progress made by management in implementing External and Internal Audit report recommendations; and
- National report issues that Council departments need to address such as; SWIA

At the culmination of the years audit work the Audit Committee receives:

- An Annual Internal Audit report; and
- A draft Internal Control Statement (ICS) for approval. The ICS assists the Head of Strategic Finance as Section 95 Officer, prepare a statement on control for the Annual Accounts.

Auditees

With regard to Internal Audit reporting audit findings, Internal Audit provides management with an independent and objective opinion on the control environment by taking into consideration the review of internal controls and risk, and recommends changes where appropriate in agreement with management. The audit work undertaken is reported to the auditee, either in the form of a report or a memo whichever is the most relevant. Our reports are in a standard format and provide an opinion on controls reviewed awarding one tick (✓) for very poor control and up to 5 ticks for very good control against the specific objectives of each audit. A system of grading audit findings that have resulted in a recommendation within an action plan has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definition for each classification is set out below: -

- **Fundamental.** Significant weakness in control is discovered that may give rise to loss or error;
- **Material.** A weakness is found but is not necessarily great, but the risk of error would be significantly reduced if it were rectified; and
- **Minor.** The weakness does not appear to affect the ability of the system to meet its objectives in any significant way but should be rectified.

5. EXTERNAL AUDIT

The relationship operated by Internal Audit with the Council's External Auditors is one of joint working where we try to either avoid areas of duplication and in other areas work jointly on large system control issues. Consultations are held on a regular and informal basis to coordinate work and we use external audit approved programmes to carry out our audit work. In 2007 – 2008 external and internal audit worked jointly on the Council's Statutory Performance Indicators.

On an annual basis External Audit carry out an evaluation of Internal Audit work, the outcome of which is published in their Annual Accounts report.

Grant Thornton, the Council's External Auditors will place reliance on the work of Internal Audit in the following areas:

- Payroll;
- Council tax and Non-domestic Rates;
- Creditor Payments;
- General Ledger operations;
- Cash income & banking;
- Purchasing IT and e-procurement;
- Capital;
- Unified Benefits System;
- Debtors accounts;
- Statutory Performance Indicators;
- Stocktaking;
- Payments to voluntary bodies; and
- Contract Hire and operating leases.

6. INTERNAL CONTROL STATEMENT (ICS)

It is the responsibility of Internal Audit to provide an annual overall assessment of the robustness of Council internal control systems to the Head of Strategic Finance as Section 95 Officer. The ICS is informed by a review of the findings of audit work carried out by both external and internal audit throughout the financial year. In addition departmental internal financial control statements are prepared by Strategic Directors regarding specific audit areas identified as requiring future attention. These departmental internal control statements are then signed and passed to Internal Audit. All of the above therefore supports the overall statement of control prepared for the Head of Strategic Finance.

The ICS has 2 sections in which Internal Audit is required to give an opinion on the Council control environment. The first is on matters brought forward from last year. The second section is for any new matters arising in 2007 – 2008.

7. PROGRESS OF THE ANNUAL AUDIT PLAN 2007 – 2008

Appendix 2, lists all audits planned by Internal Audit for the financial year 2007 – 2008 inclusive of reported changes. The objective of the assessment of audit days is to advise the Audit Committee members of the final status of each audit. The annual audit plan was based on the section operating with a full staff compliment. The outcome was that the section operated throughout the year with reduced resources augmented by contract audit staff. Of 1,080 audit days planned for only 943 days were expended.

The shortfall of 137 days resulted from:

- Secondment – Internal Audit Manager to Shared Services Diagnostic team lost Direct Audit Days of 31;
- Accountant Posts – there was a shortage of 47 days from the figure in the annual plan;
- Sickness Absence - Direct Audit Days lost, 25 days more than provided for in the annual plan; and
- Vacant posts – 34 days.

Emphasis throughout the financial year was placed on achieving the audit plan. In the first quarter of the year the section came under further pressure when a member of staff had a sustained period of Sickness Absence. This resulted in the number of direct audit days expended on the remaining audits being reduced from that originally planned. The remaining audits therefore received audits focused on key control areas. This enabled the agreed audit plan to be broadly achieved and provide assurance for external audit and the preparation of the annual ICS.

A total of 33 audits were planned for the financial year 2007 – 2008 and these were allocated into the following categories:

- 18 Core Financial Systems Audits and
- 15 Non Financial Audits.

A decision was taken to combine 4 audits from the core financial section of the plan and one audit from the non-financial section to form a Major Capital Audit. The audit areas were as follows:-

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- Tendering Procedures;
- Capital Contract Audit;
- Capital Accounting;
- Treasury Management; and
- Strategic Asset Management.

This was reported to the Audit Committee on 14 December 2007. The fieldwork has been completed for this audit and reports issued. The Overview report has been issued in draft form and will be discussed at a meeting in June 2008.

Of the remaining 14 audits, 13 have been completed with final reports and action plans issued.

The final audit has not been completed due to the secondment of one of the Internal Audit Managers to the Shared Services Diagnostic Project. The audit will be completed on his return to Internal Audit.

Of the remaining 14 Non Financial Systems audits, 12 have been completed with reports and action plans issued. A draft report has been issued for another audit and Internal Audit is awaiting a response from the relevant department. Internal Audit will follow this up to ensure that the final report is issued as soon as possible. The Strategic Asset Management audit was included in the Major Capital Audit as mentioned previously.

The audit of Best Value has been deferred as there was a follow up audit on Best Value carried out by Grant Thornton, the Council's external auditors. Days allocated for this audit have been redirected to the following areas:

- Special investigations;
- External & Internal Audit follow up; and
- Risk Assessment, Strategic Plan, Annual Plans.

In 2007 – 2008 the Audit Committee was provided with more objective responses from departmental management regarding recommendations that had not been implemented within agreed deadlines. This process provided the opportunity for the Audit Committee to focus its time on areas of non implementation by management of agreed external and internal audit recommendations. The process also enabled the Audit Committee to request senior management attendance at Audit Committees in order to establish reasons for non implementation of agreed recommendations. In addition, during 2007 – 2008, the Audit Committee took advantage through the receipt of national report recommendations to request senior management attendance at the committee.

Throughout 2007 - 2008, Internal Audit resources were under pressure due to days lost as a result of sickness absence and unfilled posts. Contract resources were brought in to assist with audit plan delivery and the recruitment of 2 Trainee Accountants which allowed the Internal Audit annual audit plan to be progressed.

Audit Opinion

Based on audit work carried out in 2007 – 2008 by Internal Audit, I am of the opinion that the Council's systems provide reasonable assurance regarding the effective and efficient achievement of the Council's objectives. Audit reports have indicated certain matters which are currently being addressed by management, and my opinion on the Council's systems is based on those recommendations being satisfactorily implemented. Additional assurance has been given in my Internal Control Statement (ICS) which is the subject of a separate report to the Audit Committee.

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In conclusion, the Annual Audit Plan for 2007 – 2008 will be completed by the end of June 2008 as remaining issues are addressed. The Audit Committee is asked to accept the assurances provided by Internal Audit, based on the audit work completed in 2007 – 2008.

8. AUDIT ANALYSIS of 2007- 2008

Apart from the deferment of one audit and the partial completion of another the planned work programme has been completed and in particular:

- Quarterly reports have been prepared for the Audit Committee advising of progress with the Annual Audit plan;
- Joint audit work was completed between Internal Audit and Grant Thornton;
- The percentage of audits carried out by qualified staff in 2007 – 2008 was above the target but was lower than 2006-2007. This was as a result of 2 Trainees being recruited.; and
- Analysis of returned client questionnaires indicated that an average approval score of 3.4 has been achieved by Internal Audit in 2007 – 2008. The highest achievable approval score is 4.

For the first time Internal Audit reports were submitted to the Audit Committee as per the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. It was agreed at the June 2007 Audit Committee that Executive Summaries and Action Plans would be submitted to the Committee.

This was a result of a review of Internal Audit carried out by Grant Thornton, the Council's External Auditors.

The first reports were submitted to September 2007 Audit Committee.

9. INTERNAL AUDIT PERFORMANCE MEASUREMENT

Annually, Internal Audit measures the performance of its service delivery. This allows comparison to be made year-on-year and to set targets for improvement. In total there were 11 performance indicators agreed by the Audit Committee for Internal Audit to adhere to. They are set out under two headings:

- 6 **Input**; and
- 5 **Output** indicators.

The tables below set out the performance for both sets of indicators for 2007 - 2008. A comment has been made for each performance indicator. Internal Audit will strive to maintain the quality standards achieved and will endeavour to make improvements.

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INPUT PERFORMANCE MEASURES 2007 - 2008

Ref	Performance Indicator	Target	Achieved 2007-2008	Comment
1.	Percentage of audit work carried out by qualified and specialist staff.	65%	68%	This percentage figure is lower than last year's 80%. This is a result of employing 2 Trainee Accountants when attempts to recruit Accountants were unsuccessful.
2.	Issue of draft reports within 10 working days of work being completed.	10 days – 100%	91%	The percentage figure achieved has fallen short of the 100% target due to the issue of 2 draft reports after the 10 day period.
3.	Issue of final reports within 5 working days of management responses being received.	5 days – 100%	100%	Achieved.
4.	Reports display: clear opinion; action plan of prioritised recommendations and management responses; a person responsible; and date for completion.	All reports (100%) state a clear conclusion/opinion; contain an action plan, prioritised recommendations, allocated responsibility and target dates for completing recommendations.	100%	As last year all of the target requirements have been met.
5.	Management's feed back on audit planning and fieldwork.	To achieve 'average' or better in questionnaire ratings. (i.e.: a mean score of '3' or more for each question	3.4	Management are asked to provide an opinion on the work carried out by Internal Audit and it can be reported that the level of achievement has fallen only slightly from last year's figure of 3.8. This still represents good performance for the section given the resource issues faced throughout the year.
6.	Percentage of direct audit time	Target 81%	76%	<p>The reason that the figure is below target is that time had to be spent on setting up Pyramid (Performance Management System) for Strategic Finance.</p> <p>In addition the Internal Audit Section had to move office twice in this period thus reducing the number of days for direct audit work.</p> <p>The target would have been achieved if resources did not need to be diverted to the above.</p>

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OUTPUT PERFORMANCE MEASURES 2006 - 2007

Ref	Performance indicator	Target	Achieved 2006- 2007	Comment
1.	Audit operational plan to be submitted to the audit committee by 31 March each year.	31 March of each year (100%)	Achieved	The Strategic Audit Plan 2008 – 2011 and the 2008-2009 Annual Audit Plan was presented to the Audit Committee on the 27 th of March 2008.
2.	Follow-ups to be performed within one year of the audit-taking place.	100% of recommendations followed up in following year	Achieved	There is now a new reporting structure in place and therefore follow-ups are carried out as a routine task for the quarterly meetings of the Audit Committee.
3.	Completion of the Annual Audit Plan subject to variations agreed by Audit Committee, and if appropriate, Audit Managers.	100%	94%	With the deferment of the Non-Financial Audit Chief Executive's Unit – Policy & Strategy – Best Value and the partial completion of the core financial Cash & Income Banking audit this has reduced the percentage achieved against plan. As in previous years individual audit assignments in 2007 – 2008 varied in actual audit days to plan. A number of audits were either completed on time or ahead of budget whilst others took more days than had been budgeted. However in overall terms, audits have been completed within the total number of planned direct audit days set out in the annual audit plan.
4.	Recommendations accepted compared to recommendations made.	Fundamental – 100% Material and minor - 100%	100% 100%	Achieved. Achieved.
5.	Internal audit costs are within budget (including in-year budget variations)	Total costs were within budget.	100%	Achieved.

APPENDIX 2

Assessment of Audit Days: 2007-2008 Strategic Plan

AUDIT WORK SCHEDULE	Last Audited	Risk Ranking	Original Estimated Audit Days 2007-08	Revised Estimated Audit Days 2007-08	Actual Audit Days 2007-08	Balance
Core financial systems						
Complete						
Government & European Grants	2006-07	1	30	30	17	13
Stocktaking	2006-07	2	25	25	13	12
Payments to Voluntary Bodies (Following the Public Pound)	2005-06	2	20	20	24	-4
Payroll	2006-07	2	30	30	12	18
Contract Hire and Operating Leases	2006-07	2	20	20	26	-6
Council Tax and Non- Domestic Rates	2006-07	2	30	30	20	10
Creditor Payments	2006-07	2	25	25	30	-5
Unified Benefits System	2006-07	2	30	30	32	-2
Car Allowances	2006-07	2	20	20	29	-9
Budgetary preparation & control	2006-07	1	20	20	18	2
General Ledger Operations	2006-07	2	25	25	14	11
Debtor Payments	2006-07	2	20	20	4	16
Purchasing IT e-Procurement	2006-07	2	25	25	27	-2
Draft						
Major Capital Audit	2006-07	1	120	120	165	-45
Not completed						
Cash Income & Banking	2006-07	2	30	30	15	15
Section Total			470	470	446	24
Non-financial Audits						
Complete						
All Depts – Corporate Governance	2006-07	1	20	20	15	5
All Depts – Performance Indicators	2006-07	1	50	50	46	4
Community Services – School & Public Transportation	2006-07	1	20	20	20	0
Community Services – Disclosure Scotland	N/A	2	20	20	31	-11
Community Services – Legislative Compliance	2006-07	1	20	20	18	2
Operational Services – Roads & Amenity – Waste Management	2002-03	3	20	20	18	2
Community Services – NPDO –Contract Monitoring	2006-07	1	30	30	61	-31
Corporate Services – ICT - Applications	2006-07	2	25	25	17	8
Corporate Services – Risk Management Register	2006-07	3	20	20	17	3
All Depts – Partnership Working	2006-07	1	20	20	20	0
All Depts – Business Continuity Planning	2006-07	1	20	20	20	0
Development Services – Partnership Project Funding	2006-07	1	20	20	7	13
Draft						
Community Services – Social Work	2006-07	1	20	20	20	0
Deferred						
Chief Executive's Unit – Best Value	2006-07	1	145	60	0	60
Section Total			450	365	310	55
Actual Direct Audit Time			920	835	756	79
Special investigations contingency						
Council Wide	-	-	80	125	7	4
Chief Executive's Unit					65	
Community Services					4	
Corporate Services					12	
Development Services					12	
Operational Services					21	
Section Total			80	125	121	4
Other Areas						
Follow-up External & Internal Audit Management Letter Points			60	80	48	32
Risk Assessment, Strategic Plan, Annual Plans			20	40	18	22
Section Total			80	120	66	54
TOTAL			1080	1080	943	137

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FINAL

Internal Audit Report

Chief Executive

Budgetary Control

May 2008

Auditor: Lisa McGinn
Audit Manager: Alex Colligan

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that the Financial Regulations are out of date due to the Executive superseding the Strategic Policy Committee.
- 4.2 The audit found that Departmental Finance Teams are not keeping the corporate accounting team updated with changes to budget holders and finance contacts.
- 4.3 The audit found that budget holders were not aware of virement limits.
- 4.4 Internal Audit found that the Development Services Finance Team does not supply Trial Balance reports to budget holders.
- 4.5 The Audit found that the budget holders do not respond to reports issued by finance contacts. It is left to the finance contact to follow up.
- 4.6 The audit found that no overall procedures are in place for budget monitoring.
- 4.7 The audit found that there was no end of year review on actual expenditure against forecasts.

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ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
3	1.4	Material	Not all Budget Holders are aware of any virement limits or their responsibility under the Financial regulations. This could lead to an ineffective control of the budget.	Budget Holders should be reminded of relevant sections of the Financial Regulations. A programme of training should be given to Budget Holders as recommended by the Strategic Finance Best Value Review.	Head of Strategic Finance	June 2008 As per the Best Value Review of Strategic Finance
4	3.4	Material	By not supplying reports Development Services does not follow corporate procedure for budget monitoring. The Department, due to its small size, relies on informal communication therefore there is no audit trail for the process.	Budget Holders in Development Services should be supplied with regular monitoring reports. This will be addressed in the implementation plan arising from the Strategic Finance Best Value Review.	Development Services Finance Manager	July 2008

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
5	3.5	Material	Budget Holders are relying on their Finance Contacts to word explanations and complete the budget monitoring process. Informal communication is relied upon reducing the audit trail.	Budget Holders should be reminded that they must provide a written response to the reports issued by their Finance Contact. This will be addressed in the implementation plan arising from the Strategic Finance Best Value Review.	Head of Strategic Finance	As per the Best Value Review of Strategic Finance
6	4.1	Material	For the process of Budget Monitoring there are no procedures in place, it relies on the professionalism and knowledge of the Finance teams. This leads to inconsistencies in the working practices between departments.	Procedures should be created for all departments. Following the Strategic Finance Best Value Review the budget process has to be reviewed and be tailored to the Budget Holder.	Head of Strategic Finance	31 March 2009



FINAL

Internal Audit Report

Corporate Services

Review of Business Continuity

May 2008

4. SUMMARY OF MAIN FINDINGS

- 4.1 A firm of Consultants, Glen Abbot Ltd, contacted the chief Executive to offer their services to the Council to help produce a Business Continuity Plan (BCP).
- 4.2 Glen Abbot gave a presentation to the Risk Management Group on the consultancy service they offer to organisations for the preparation and implementation of Business Continuity Plans. The group agreed that it would be beneficial to the Council to take this forward.
- 4.3 Glen Abbot submitted a Project Initiation Document that included a timescale for completing the process. The process had 6 elements and was due to be completed by the end of May 2008. The timescale was reviewed and it was found that completion by the end of August 2008 was more appropriate.
- 4.4 It was arranged that Glen Abbot would undertake workshops on 4th and 5th December 2007 for Heads of Service. RMG members, Loss Control Group (LCG) members and others to introduce them to Business Continuity and the process the Council will have to go through to implement the full programme.
- 4.5 Further training was arranged on 20th and 21st February 2008 for 3rd tier managers, RMG members, LCG members and any other relevant representatives from each department.
- 4.6 From the training provided departments had to complete BCP Activity Identification Questionnaires. From these questionnaires Glen Abbot presented the Critical Activity list to the RMG.
- 4.7 Glen Abbot produced Business Impact Analysis Questionnaires to be completed by departments. The finalised questionnaires have been submitted to Glen Abbot in order that a decision can be taken to SMT on the Business Continuity Management options.
- 4.8 Regular updates have been submitted to SMT.
- 4.9 There are still 4 elements of the process to be completed by August 2008 with further training required. This training has been arranged for 28th and 29th May 2008.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	4.3, 4.4 & 4.5	Material	There is a possibility that with the timescale of the process being extended to August 2008 and further training being required that the commitment by staff may be reduced.	Staff involvement must be maintained from all departments to ensure corporate approach	Governance and Risk Manager	Ongoing
2	4.6 & 4.7	Material	Changes in circumstances may mean that the BCM may have to be reviewed.	A continuous review of the BCM will have to be carried out and exercises carried out to ensure that it is still suitable.	Governance and Risk Manager	Ongoing

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FINAL

Internal Audit Report

Community Services Department

**Review of Car Allowances –
Community Services**

May 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that staff classified as casual car users had particularly high annual mileages for that classification of user.
- 4.2 The Audit found that there were omissions in completing Claim forms.
- 4.3 The Audit found that there was some material errors in terms of claims wrongly stated.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	1.1 – 1.2	Material	There was a high level of mileage being incurred by casual users.	This has now been addressed by the Single Status agreement.		Completed

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FINAL

Internal Audit Report

Operation Services

Review of Car Allowances

May 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 The Audit found that there were some omissions made in completing Claim Forms.
- 4.2 The Audit found that policies recommended for implementation in the previous report, dated September 2006, had now been completed.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
2	1.5– 1.11	Material	Journey details and other data to assist in authorisation were not always fully completed.	Where forms are incomplete they should be returned to the claimant for amendment.	Principal Officer	31 May 2008
3	1.12	Material	Some travel claims were being submitted without receipts being provided.	Where expenses are incurred and no receipts have been provided the expenses should be deducted from the claim.	Principal Officer	31 May 2008

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Internal Audit Report

Chief Executives' Unit

**Review of Major Capital -
Capital Contracts – Bruichladdich Pier**

April 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 The main findings in this review relate to matters which will be more appropriately dealt with in the Overview Report and do not therefore appear in the Action Plan at Appendix 2.
- 4.2 There is no check on contractors' insurances that expire during the contract period or that professional indemnity insurance in respect of design and construct contracts are renewed each year thereafter.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
2	1.13 to 1.15	Material	Delays did occur but no information was recorded in the contract file communicating details of delays or action to be taken. We were advised that communications would have been verbal or by e-mail thus explaining the lack of documentation on file.	Consideration should be given to electronic contract filing with a folder for each contract/project where all documents including e-mails, letters and other text and “pdf” files could be stored. This could be introduced as part of the Quality System Review planned for this summer.	Principal Engineer	September 2008
3	1.22 to 1.24	Material	Roads Design do not check insurances as a matter of course. Liability and other insurances are obtained at the award of the contract by Corporate Services. Where contractors or consultants are employed with a design	The Roads Design Service should identify all recently completed projects (2 years) where the contractor or an external consultant has design responsibility and all current contracts where the Contractors liability	Principal Engineer	September 2008

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
			responsibility it is vital that the Council verify that their annual Professional Indemnity insurance is renewed and the level of cover maintained otherwise the Council will be at risk for any design defects. Similarly liability insurances that expire during the period of a contract need to be verified as to renewal.	insurances were due to expire during the contract period and agree with Corporate Services a process that ensures the appropriate professional indemnity and liability insurance cover is in place and remains in place as appropriate.		



Internal Audit Report

Community Services

**Review of Major Capital -
Capital Contracts – Gigha Primary School**

April 2008

Alex Colligan, Internal Audit Manager
Max Barr, Auditor
Robert McCarthy, Trainee

4 SUMMARY OF MAIN FINDINGS

- 4.1 Our findings are of a minor nature and refer to matters relating to the management of tender issue and response.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	1.3 to 1.5	Material	Contact Record of Potential Tenderers prepared but no record of contact being made or of desire to receive tender or approval by appropriate manager. Despite this two contractors did not receive the tender documents while a further one was added to the list (and was awarded the contract on price).	A potential List of Tenderers should be approved by the Capital Programme Manager and any amendments to the list should be recorded on the Contact List of Potential Tenderers.	Capital Programme Manager	Implemented March 2008
2	1.6 to 1.8	Material	No records of contractor's tender responses to recent projects were available	A record should be maintained of all tenders and contractors responses for reference when selecting tender lists. The Capital Programme Manager advised that the existing Phoenix Database holds this information and a way will be found to generate a query or report as required.	Capital Programme Manager	Implemented April 2008

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FINAL

Internal Audit Report

Corporate Services Department

Review of Mobile Phones

MAY 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that at the at the time when Internal Audit were asked to look at this issue the Council had no approved policy on mobile phones. This has since been addressed by SMT as a result of reports submitted by the Head of ICT & Financial Services.
- 4.2 The Audit found that there were no fixed criteria for providing mobile phones.
- 4.3 The Audit found that there was insufficient monitoring of the use of mobile phones for personal calls.
- 4.4 There was inconsistency between departments, and even services within the same department, on the recovery of sums for the personal use of mobile phones.
- 4.5 One department, Operational Services, did not allow staff to use mobile phones for personal use.
- 4.6 The list of mobile phones provided by ICT & Financial Services as at November 2007 included people who were no longer employed by the Council.
- 4.7 One service, Legal & Protective Services, was not part of the Council agreement with Vodafone and had a separate agreement with Vodafone.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	4.1	Fundamental	The Council do not have a policy on mobile phones.	The Head of Personnel Services to consult with the Trades Unions on the draft policy that has been submitted to SMT	Head of Personnel Services	31 May 2008
2	4.2	Material	There were no fixed criteria for providing mobile phones.	The Head of Personnel Services to consult with the Trades Unions on the draft policy that has been submitted to SMT	Head of Personnel Services	31 May 2008
3	4.3	Fundamental	There was insufficient monitoring of the use of mobile phones.	Periodic checks should be carried out by senior management to ensure that mobile phones are only used for the purpose intended.	All Directors	immediate
4	4.4	Fundamental	There was inconsistency between departments, and even services within the same department, on the recovery of sums for personal use of mobile	This will be addressed by the exercise being carried out by the Head of ICT & Financial Services to establish the best method of recovering the cost of	Head of ICT & Financial Services	31 May 2008

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
			phones.	personal use of mobile phones.		
5	4.5	Fundamental	One service, Legal & Protective Services, was not part of the consolidated billing arrangement with Vodafone and received separate invoices whereas all other departments' invoices were processed through ICT & Financial Services. Legal & Protective also purchased top up vouchers from a local newsagent.	The agreement currently in place between Legal & Protective Services should be terminated as soon as possible. Legal & Protective Services should then be included in the corporate contract with Vodafone.	Head of ICT & Financial Services	immediate
6	4.6	Fundamental	The list of mobile phones provided by ICT & Financial Services as at November 2007 included the names of people who were no longer employed by the Council.	The list should be reviewed to ensure that only current members of staff issued with mobile phones should appear on the list.	Head of ICT & Financial Services	immediate



Internal Audit Report

Chief Executive's Unit

Review of SMT Decisions

January 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that whilst the majority of the action points have either been completed or are in the process of being completed there were still some that remain outstanding.
- 4.2 The sample list of decisions taken was as follows:
1. Tender Returns Overview and Future Procurement Options.
 2. Procurement Savings 2005/06 to 2006/07.
 3. Website development.
 4. Equality Impact Assessment.
 5. Mobile phone contract.
 6. Oban Property options.
 7. Internal Waste Audit Report.
 8. Stress and Attendance Management.
 9. Anti-Social Behaviour Group.
 10. Gaelic Language Plan.
 11. Broadband Pathfinder.
 12. Estates Partnership.
 13. Performance Development Reviews.
 14. Best Value Review of Environmental Health.
 15. Child Care Voucher Scheme.
 16. Review of Corporate Complaint Handling Process.
- 4.3 The Audit found that of the 16 points listed in 4.2 above, 7 points have been fully addressed. 6 other actions are actively being addressed and where appropriate have new implementation dates. The remaining 3 have either still to be addressed or no responses have been received on the progress of the actions.

4.4 The Current position with the actions is as follows:-

1. Tender Returns Overview and Future Procurement Options.

A seminar was held for Property Services staff in Argyll House, Dunoon. Staff then visited Dundee City Council to see what procedures were used there. A report on Contract Procurement – Change to Standing Orders was submitted to SPC on 15 June 2006 and was approved.

2. Procurement Savings 2005/06 to 2006/07.

The Head of ICT & Financial Services has informed us that Pecos is being rolled out to all schools at present with a target to complete this by 31 March 2008. The Exchequer Manager submitted a report to the Shared Services and Procurement Board on 18 January 2008. There were no new collaborations during 2006/07 due to emphasis switching to the establishment of Scotland Excel. Our resource has been spent supporting the bid for EGF funding (£4.5m was achieved) and in supporting the project. The business case for Scotland Excel was submitted to the Executive for approval on 20 December 2007. The main new savings in this year were on phones.

3. Website development.

Development of the website is ongoing. It has been delayed because of resource issues but it is aimed to go live in February 2008.

4. Equality Impact Assessment.

The only responses received were from Development Services and Operational Services.

In the case of Development Services, 6 of the 9 assessments have been completed by January 2008. The remaining 3 have completion dates from March 2008 to February 2009.

Operational Services have provided dates for carrying out the assessments. They vary from the end of January 2008 to the end of December 2008.

5. Mobile phone contract.

The Head of ICT & Financial Services submitted a report to SMT on 2 October 2007 detailing the savings.

6. Oban Property options.

The Outline Business Case is scheduled to be completed in 2008/09 with the required works to be undertaken in 2009/10

7. Internal Waste Audit Report.

Operational Services have taken some measures in terms of reducing waste amounts collected. This has not gone as far as it could in terms of involving other departments. This task has now been passed to the Head of Facility Services to progress.

8. Stress and Attendance Management.

A new Managing Attendance Manual came into effect on 1 August 2007.

9. Anti-Social Behaviour Group.

The ASBO group meets regularly and the Council is audited by the Scottish Government on performance against agreed outcomes. The Scottish Government wrote to the Head of Democratic Services & Governance in December 2007 confirming that the Council achieved the highest level of performance for the year to April 2007.

10. Gaelic Language Plan.

The Gaelic Language Plan was submitted to Bord na Gaidhlig on 30 November 2007. However they have advised that it might be some time before they give their approval. We have a grant from the Bord's Implementation Fund and are starting to implement the Plan as the Council has already approved it.

11. Broadband Pathfinder.

We are on target for Argyll & Bute rollout. The contract was signed in March 2007. The Head of ICT & Financial Services expected to get a further update prior to the Project Board meeting for 14 December 2007. This project will continue to end of March 2009.

12. Estates Partnership.

We have received no response from the Head of Legal & Protective Services.

13. Performance Development Reviews.

The revised process was introduced in January 2007. A postmaster notice was issued on 28 June 2007 and the revised paperwork is available from the public folders.

14. Best Value Review of Environmental Health.

The review has been extended to include Protective Services, Trading Standards, Licensing and office administrative support. The review was delayed due to the expanded scope. Brodies have been engaged and their report is now due by the end of February 2008.

15. Child Care Voucher Scheme.

Questionnaires have been issued to staff via postmaster on 8 January 2008.

16. Review of Corporate Complaint Handling Process.

Guidelines on Complaints Handling and Complaints leaflet have been issued.

- 4.5 The Audit found that not all of the actions agreed at SMT are being progressed and implemented by the agreed timescale. Some actions have been delayed, although there may be reasonable explanations for situations like this arising.

APPENDIX 1

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	4.3	Fundamental	Decisions made by SMT were not always being implemented by departments	All actions behind schedule should be implemented as soon as possible if they are still relevant.	SMT	31 March 2008
2	4.3	Fundamental	Decisions made by SMT were not always being implemented by departments	SMT should provide an action mandate for each SMT meeting detailing agreed actions, the responsible officer and the date for completion of the action.	SMT	Immediate
3	4.3	Fundamental	Decisions made by SMT were not always being implemented by departments	There should be a follow up of the actions to ensure that SMT decisions have been carried out by the due date.	SMT	Immediate



Internal Audit Report

Operational Services

Review of Major Capital –

**Tendering Procedures –
Port Askaig Pier Phase Three**

April 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 There was one minor matter arising in connection with the employment of Best Practice in Tendering Procedures.
- 4.2 Two further matters relating to selection of contractors for tender and prompt acceptance of the preferred tender will be considered in our Major Capital Audit Overview report where they are relevant.



Internal Audit Report

Chief Executives' Unit

**Review of Major Capital -
Treasury Management**

May 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 The compliance with Council procedures in Treasury Management capital funding was satisfactory and the reports prepared to set out strategy and performance dealt with the appropriate matters.
- 4.2 A member of the Capital Accounting Section staff (theoretically an interested party) was present when the tender documents for Vehicle Contract Hire were opened.
- 4.3 No record is maintained of lenders' tender performance nor is there any record maintained to show the performance of leasing companies' previous submitted tender rates.



FINAL

Internal Audit Report

ICT & Financial Services Department

Review of Performance – Revenues and Benefits

April 2008

Auditor – Lisa McGinn
Audit Manager – Alex Colligan

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that SPI's are closely controlled and monitored by senior management.
- 4.2 The Audit found that Argyll and Bute Benefits received a score of 3 (good) for the 2006/07 return to DWP. Internal Audit identified the Appeals section within Benefits as an area for further monitoring and improvement.
- 4.3 The Audit found that Revenues and Benefits, on the whole, are performing satisfactorily. However there is a need for a structured staff training programme.
- 4.4 Internal Audit found that Council Tax and Non Domestic Rates are closely monitored by the relevant supervisor and monitored by senior management.
- 4.5 Internal Audit is of the opinion that if Benefits create a formal structure to outline responsibilities and create a structured performance monitoring procedure it will be in a strong position to transfer to the new approach to monitoring performance by Audit Scotland in summer 2008.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	2.3	Material	The performance within Appeals is not meeting required standard.	The Revenues and Benefits Manager should review the Appeals section with a view to performance improvement.	Revenues & Benefits Manager	July 2008
2	2.4 and 2.5	Material	The lack of audit trail for the performance measures results in a lack of transparency on the information provided to DWP.	<p>The Revenues and Benefit Manager should:</p> <p>Consider the four enablers marked with non adherence.</p> <p>Consider the compilation of back up documentation, as required for an audit trail, in order to monitor the performance measures.</p> <p>Internal Audit should consider its part in the provision of a risk based internal audit programme of work for Benefits.</p>	<p>Revenues & Benefits Manager</p> <p>Revenues & Benefits Manager</p> <p>Internal Audit Manager</p>	<p>July 2008</p> <p>July 2008</p> <p>May 2008</p>

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
3	3.2 and 3.3	Material	The continuous improvement of the Benefit service is compromised due to the lack of structured staff training and development.	The Revenues and Benefits Manager should develop a training programme for staff.	Revenues & Benefits Manager	July 2008
5	5.3	Material	Reduced level of customer service could result from lack of structured monitoring procedure.	The Revenues and Benefit Manager should set a structured performance monitoring procedure to ensure regular and concise monitoring is completed.	Revenues & Benefits Manager	July 2008



**Final Draft
Internal Audit**

Chief Executives Unit - Strategic Finance
**Review of General Ledger Operations
Bank Reconciliations
2007/2008**
June 2008

Internal Audit Manager: Ian Nisbet
Auditor: David Strong

4. SUMMARY OF MAIN FINDINGS

Bank Reconciliation Procedures

4.1 Overall conclusion

The various procedures and controls tested were found in general to be adequate and operating as expected. The main controls operated are set out below in paragraphs 4.2 to 4.5 with audit review comments. There was, however, a particular problem with the income bank account which is explained below at paragraph 4.6.

4.2 Adequate written procedures are in place

It was found that written procedure notes are in place for one of the four bank accounts and partly in place for another. Two of the accounts did not have written procedures in place. They were the Expenditure Bank and Local Tax Bank Account.

4.3 The reconciliations are prepared timeously at the end of each month

It was found that at the time of the audit this was not the case for 2 of the 4 bank accounts i.e. Income and Local Tax Bank Accounts. There were reasons given to explain this.

4.4 Adequate records are kept of evidence to back up the reconciliation procedures

Adequate evidence was kept to back up the reconciliation procedures for all 4 bank accounts. However cross-referencing of the evidence to the bank reconciliation statement would be helpful.

4.5 All monthly reconciliation statements are signed and dated by the preparing officer and by a line manager

This was the case for the Expenditure Bank Account and the Housing Benefits Bank Account. However the other income account had been signed but not dated, and at the time of the audit the local tax account had not been signed at all because the April 2007 reconciliation had not yet been completed.

Loomis Cash Problems

4.6 It came to Internal Audits attention recently that problems had arisen in tracing Loomis cash banking deposits to the Income Bank Account. Reconciliations to this bank account had been proving difficult to carry out for some weeks. Accordingly, a decision was taken not to prepare a cash income journal or post it to the ledger until the relevant banking appeared in the bank account. This instruction had not, in Internal Audit's opinion, been agreed by the Head of Strategic Finance and consequently contravened the Council's Constitution.

4.7 Investigations have now found that some of the "missing" cash had been paid erroneously into the bank accounts of other Council's and therefore it was never going to be possible to reconcile the income bank account until this problem

had been identified and resolved. This problem may have been identified and resolved more timeously if the decision to change the cash posting system had been brought to the attention of the Head of Strategic Finance or a Departmental Finance Manager.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	APP 1 PARA	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	Appx Para 2	Material	There are not always adequate written procedure notes kept by each officer responsible for individual bank reconciliations	Written reconciliation procedures or flowcharts are to be prepared for all main bank accounts	Head of IT and Financial Services	September 2008
4	Appx 1 Para 5	Material	The other cash bank account reconciliation statements had been signed but not dated. The local tax statements had not been signed or dated	All reconciliation statements are to be signed and dated by the preparing officer and by a line manager	Head of IT and Financial Services	Done
5	Appx 1 Para 6	Material	A decision was taken to change a financial procedure .The decision was not authorised by the Head of Strategic Finance and therefore contravened the Council's Constitution.	Decisions affecting financial procedures are always to be taken by the Head of Strategic Finance or an officer delegated by him. Reminder to be issued to all Heads of Service and Managers through department Directors.	Head of Strategic Finance	Done

ABCD

Argyll & Bute Council

Argyll & Bute Council
Internal Audit – PECOS
eProcurement Report

KPMG LLP

26 February 2008

This report contains 4 pages

jc

1 Executive Summary

1.1 The review of the PECOS eProcurement system used by Argyll & Bute Council indicated that while the implementation of the system appears satisfactory there are still some issues which are causing resistance to the adoption of the system.

1.2 The issues identified during our review are listed below:

- Current reporting functionality within the system has proved inadequate. The system as specified by the Scottish Executive was supplied with fifteen standard reports; these have not been suitable to cover all the needs of the Council. Alternative solutions are currently being sought.
- There is still some resistance by staff to adopt the PECOS system. This is due to a number of factors, including perceived problems with the system, some of which have already been identified by the eProcurement Team. Additionally some of the issues identified by users have proved to be due to misunderstanding of the operation of the system.
- The savings identified in the original business case have yet to be achieved. There have been some successes such as within Fleet Management; however there have been delays in getting the efficiencies out of the system due to the demands of the McClelland Report recommendations.
- The PRINCE2 project management methodology was adopted for the initial deployment of PECOS. This has not been adhered to since the initial phase, project documentation has not been updated, project board meetings have ceased apart from a weekly meeting held between the eProcurement Project Manager and the Head of ICT & Financial Services. The application of PRINCE2 to the ongoing deployment of PECOS would ensure that the system is implemented with the appropriate level of control and rigour.

1.3 Below is a summary table indicating an assessment of the Council's eProcurement system against the specific objectives of the audit.

2 Management Letter Points

Action Plan Number	Paragraph	Grade	Weakness Identified	Management Response/Agreed Action	Responsible Officer	Date of Implementation
1	3.1.4	Material	<p>There is currently not a regular project board meeting in relation to the eProcurement Project.</p> <p>There is a risk that the project does not receive the appropriate project governance, and that the level of quality and business benefits expected are not achieved.</p> <p>We would recommend that project board meetings are convened at regular intervals.</p>	<p>Shared Services and Procurement Board now meets at regular intervals and produces quarterly reports to SMT</p>	Head of ICT & Financial Services	Complete 19 November 2007
2	3.1.4 & 3.1.18	Material	<p>Project Documentation has not been maintained and has not kept up with the phased deployment of the PECOS system.</p> <p>There is a risk that secondary phases of the PECOS implementation are not controlled with the same level of governance, quality and rigour.</p>	<p>Report made to Shared Services & Procurement Board 18 Jan 2008 of roll-out plans. Reports will be made to future board meetings as required.</p> <p>In May 19% of all invoices were processed via Pecos up from 13% in April as a result of further roll out to schools, and</p>	Exchequer Services Manager	Complete

Argyll & Bute Council
Internal Audit – PECOS eProcurement Report
KPMG LLP
26 February 2008

Action Plan Number	Paragraph	Grade	Weakness Identified	Management Response/Agreed Action	Responsible Officer	Date of Implementation
			We recommend that each phase of the PECOS deployment should continue to use the PRINCE2 methodology which was applied to the initial deployment of the system.	to NHS staff for aids and adaptation orders.		
3	3.1.5	Material	The current reporting tools within the system have proved inadequate. This has caused issues for staff trying to trace errors within the system, this has caused particular problems at year end. There is a risk that errors go undetected in the system. We would recommend that a solution be sought to allow the level of reporting required by end users.	Reports of unmatched invoices are now being produced regularly. General requirement for reports has been communicated to Scottish Procurement Directorate	Exchequer Services Manager	Complete



FINAL

Internal Audit Report

Operational Services Department

Review of Debtors' Accounts

April 2008

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that progress has been made in collecting income before services are provided.
- 4.2 Raising of debtors' accounts for Piers & Harbours can often take more than 14 days, however as the fees tend to be for frequent small amounts it is more cost effective to issue such accounts on a monthly basis.
- 4.3 Operational Services charging schedule is now adhered to in all areas, all charges in the schedule have been agreed by the Council and are subject to annual review.
- 4.4 Where 6 monthly berthing concessions are not paid in advance, customers are required to pay the full daily rate; non-payment is followed up via the appropriate channels.
- 4.5 Very few services now are for less than £20. Where it is below this amount every effort is taken to collect the income in advance or group several small values for same customer onto one account and billed together.
- 4.6 All accounts raised by Operational Services are subject to check by another member of staff in order to minimise the likelihood of errors and ensure the appropriate level of detail is included.
- 4.7 Credit notes are always signed by management.
- 4.8 Appointment of area wardens has proved successful in raising the level of income due from unmanned piers & harbours. Other options such as honesty boxes, has been ruled out as would prove not to be cost effective.
- 4.9 The raising of debtors' accounts and subsequent reminders remains at 14 day intervals in order to prompt customers to pay as quickly as possible. When a new system is installed later in 2008/09, it will have functionality to customise payment terms and reminder periods according to the type of account being issued.
- 4.10 The follow-up of outstanding debtors is no longer carried out by legal services since the departure of the officer that carried out this task. When accounts reach the final notice stage, no further action is taken by Sundry Debtors section, it is expected that departments will carry out their own follow-up. However, this is not widely known in departments and would benefit from an instruction from the Exchequer Manager in the meantime until the new system is installed and the follow-up process outsourced later this financial year.
- 4.11 Writing off of accounts under £100 has not taken place for several years, as in 4.10 above, this process will be outsourced along with the follow-up of outstanding payments.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	1.2	Material	Operational Services have been successful in obtaining much of their income before a service is provided and continues to do so.	Departmental charging procedures will be re-enforced during the training provided for the implementation of the new debtors system	The Director of Operational Services Department and Finance Manager	31 January 2009
3	1.8	Material	During the audit a charge for fish landings on one island was found to be different to that of the charge schedule. Audit was informed that this was a long-standing local agreement, and that the level of charge had not been reviewed for some time.	A new charging schedule has been issued and all areas are now charging the same.	Operational Services Finance Manager.	Implemented
4	1.11	Material	In the case of six monthly berthing concessions, the charges schedule states that the concession is not available unless paid in advance, but frequently concessions were paid for during, or in some cases, after, the period to which they relate.	An instruction that the 6 monthly berthing dues be sent out at the commencement of the period will be issued. Assistant Operations Manager – Marine & Airfields has been looking into this and now implemented	The Director of Operational Services Department and Finance Manager	Implemented
5	1.13	Material	The audit found numerous cases	A meeting will be held	Operational	31 January 2009

ACTION PLAN NO	PARAGRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
			of debtors' accounts being raised for less than £20 – procedures state that every effort should be made to collect income in advance in such cases.	within the Operational Services Department to see how to increase income receipt and become compliant. As no. 1 above more and more collected in advance.	Services Department Finance Manager	
10	1.19	Material	IT is unclear who is to carry out follow-up and write off of unpaid debtor accounts	Debtors Control should agree with services exactly who should do what in regard to follow-up & write off of accounts. Revised procedures for follow-up of outstanding accounts should be compiled and issued prior to implementation of new system.	Head of ICT & Financial Services and Exchequer Manager	Immediate 31 January 2009



Internal Audit Report

Corporate Services Department

**Review of Public Transport and
Infrastructure Project Development**

June 2008

Charles M. Soane B.Com., C.A.

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit found that the Area Committees are regularly consulted regarding the identification of new Strategic and Local projects, as well as being updated on the progress of existing projects. A rolling timescale approach enables the Transportation and Infrastructure Team to evaluate new projects, identifying key issues and potential funding strategies and thereafter incorporate the projects in an overall prioritisation assessment. The lack of a rigid timetable for consideration of projects by each of the Area Committees has resulted in the overall prioritisation exercise not being completed within the same timescale as last year. There is therefore a slight risk that a new project may be delayed if the Executive have not approved the overall project listing. It is however recognised that a new project that has the required funding would be fast tracked through to the Executive for approval.
- 4.2 A Capital Plan Overview 2008/09 was submitted to the Council in February 2008 explaining changes to the Capital Funding from the Scottish Government. It also recognised that the Council had been anticipating significant funding being channelled through Hitrans for investment in roads. However, the apparent current lack of funding available from Hitrans and other external bodies is a significant factor in determining the likelihood of individual projects being progressed.
- 4.3 The Audit found that the scoring basis adopted for the prioritisation of these projects had been developed as a relatively simple model but this had provided an initial mechanism to distinguish priorities on a consistent basis. Further refinement has now been incorporated to take account of the Local Objectives for Argyll & Bute, included in the Transport Strategy – Moving Forward 2007-2010. The basis of evaluating Local Objectives must be clearly defined to ensure that, local community and local area priorities are understood within the Argyll & Bute local objectives.
- 4.4 In a period when funding is particularly tight, there is a risk that smaller local projects, which have secured external funding, may be advanced on a piecemeal basis.
- 4.5 Planned strategic projects are currently being shelved due to the lack of external funding available. In the recent past Hitrans would have provided 50% funding of larger schemes and this is no longer available. Limited opportunities for obtaining alternative funding for these projects appear to be available, but a revised strategy is being developed.

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