

# Public Document Pack

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

Corporate Services  
Director: Nigel Stewart



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24 June 2008

## **AUDIT COMMITTEE – 27 JUNE 2008**

I enclose herewith item 8 (**EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2008-2009**) which was marked “to follow” on the above agenda.

Nigel Stewart  
Director of Corporate Services

### **TO FOLLOW ITEM**

8. **EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2008-2009**  
Report by Internal Audit Manager (Pages 1 - 22)

### **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**  
**4 June 2008**

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**EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2008 – 2009.**

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**1. SUMMARY**

The Internal Audit Annual Plan requires that follow up reviews be conducted for all audits completed during the prior year. Internal Audit also document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. The current reporting system was introduced and approved by the Audit Committee in August 2004. Set out below are the results from a review performed by Internal Audit for recommendations due to be implemented by 31<sup>st</sup> March 2008.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 Appendix 1 is a statistical summary of the 2006/07 and 2007/08 Internal Audit reports issued prior to March 2008. It details the number of recommendations to be implemented by the follow up date, the number implemented and those past their implementation date. The implementation date used for reporting to this Audit Committee is 31st March 2008. A reference column has been added to provide a link to Appendix 2, where reasons are given by local management as to why recommendations have not been implemented by the agreed date. There is an additional column showing when those actions not yet implemented had been reported to previous Audit Committees. The same layout has been used for the follow up of External Audit report recommendations.

3.2 Appendix 1 is split into 2 documents 1a & 1b. The first document refers to all reports with recommendations due January 2008 to March 2008. The second document lists action points outstanding from the previous Audit Committees. These are points that should have been implemented by 31st December 2007 for the last Audit Committee. The same layout has been used for the reporting of External Audit report recommendations in Appendices 3 & 4.

3.3 All new external audit reports issued by External Audit to the Council are reported initially separately to the Audit Committee with their executive summary and action plan. Thereafter they are included in the summary list for external audit.

**4. CONCLUSIONS**

Implementation of all recommendations will continue to be monitored by Internal Audit.

**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 of Internal Audit on (01546 604271)

4 June 2008



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## Appendix 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATES OF IMPLEMENTATION	COMMENT/EXPLANATION
<b>A - REVIEW OF 2006/07 PERFORMANCE INDICATORS</b>						
2	MATERIAL	The Corporate Management SPI Co-ordinator is to ensure that procedures are in place to ensure that CM8 is not qualified in 2007/08.	Relevant procedures will be put into place.	Corporate Management SPI Co-ordinator	31 August 2007	Asset Management Group in place. Superseded by 2007/08 major capital audit.
<b>B - REVIEW OF ASSET MANAGEMENT/OFFICE RATIONALISATION</b>						
2	FUNDAMENTAL	Need for Council Wide Instructions on Asset Management	Prepare an Asset Management Manual covering the use of the Asset Register including responsibility for gathering, checking and updating information; and set out instructions for the on-going Asset Management process.	Head of Facilities	31 March 2008	Superseded by 2007/08 major capital audit.
<b>C - REVIEW OF CAPITAL ACCOUNTING</b>						
3	MATERIAL	There is no formal basis for prioritising spend nor is there a formal option appraisal system in place. The Council is currently in the midst of reviewing asset management and a recent Internal Audit Report endorses the steps to date and makes further recommendations.	The Capital Accounting Section should support and encourage the implementation of the recommendations contained in the Internal Audit Review - Asset Management.	Finance Manager Development Services	31 March 2008	This has been superseded by 2007/08 Major Capital Audit.
3	MATERIAL	Lack of supporting documentation for option appraisal	procedures will be produced	Finance Manager Development Services	30 September 2006 31 January 2007 31 August 2007 31 January 2008	This has been superseded by 2007/08 Major Capital Audit

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATES OF IMPLEMENTATION	COMMENT/EXPLANATION
<b>D - REVIEW OF CONTRACT HIRE &amp; OPERATING LEASES 2007-08</b>						
1	MATERIAL	Staff authorising expenditure are required to follow the Council's Constitution, including the Contract Standing Orders, which means that they must use contracted suppliers. However, the risks inherent in using an unendorsed supplier are not spelt out, nor is it clear that disciplinary procedures could be invoked if staff do not follow the Constitution.	Written instructions to be issued to all staff who can authorise expenditure from external suppliers, detailing the requirement to follow Contract Standing Orders. This means that orders must only be placed with contracted suppliers when available and PECOS must be used for all such orders. Where there are no contracts in place competition should be ensured for any significant spends. A set of instructions will be drawn up and put before the Procurement and Shared Services Board at their meeting on 18 January 2008.	Exchequer Manager	31 January 2008 Complete	A set of instructions has now been approved by the Procurement and Shared Services Board and will be printed and distributed in June 2008
4	MATERIAL	In view of there being a reasonable possibility that the bridge option for the Cuan Sound crossing may not be accepted by the Scottish Government the Council should be considering taking steps to plan for the lease or purchase of a ferry boat and the other implications flowing from that.	Steps should be commenced by the Council to decide the action to be taken in the event of the Scottish Government deciding not to fund a high level bridge.	Director of Operational Services	31 December 2007	STAG appraisal completed with fixed link recommended. Scottish Executive has refused funding for this. Funding issue for replacement slip being currently pursued as part of agreement on redistribution of former Piers & Harbours Capital Grant. PTF Funding contribution of £1.5M currently held by HITRANS.
5	MATERIAL	Operational Services had produced an Internal Waste Prevention Action Plan which has fallen behind with its original implementation dates	Management is now taking steps to put the action plan back on course	Head of Roads & Amenity Services	31 December 2007	Revised Roads & Amenity structure – now under the remit of Streetscene & Waste Management.

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6	MATERIAL	The advantages gained from networking of photocopiers in schools are not fully known.	The networking position in schools is to be reviewed and if necessary an implementation programme and action plan prepared. An assessment should also be made of the likely impact on school budgets	Head of Secondary Education & Pupil Support & Head of Pre-School & Primary Education	31 March 2008 March 2009	In preparation for GLO and following on from the Pathfinder implementation, the intention is to improve networking in schools. This, in turn, will include provision for photocopiers to be networked. GLOW implementation in schools will be completed by the end of March 2009.
7	MATERIAL	The potential savings from the use of the advanced networking facilities available throughout the Council based on the experience gained from Manse Brae and Argyll House, the print usage and estimated savings at Kilmory and the savings in schools have not yet been estimated and reported to management.	Once the potential savings have been estimated a report is to be produced for management forecasting the potential savings. This report would need to be followed up with actual savings achieved. Such reports would be useful evidence towards showing Audit Scotland that the Council is achieving BV.	Head of ICT & Financial Services and Head of Democratic Services & Governance	31 March 2008 30 September 2008	The print room amalgamation will be the first stage to realise savings this integration will take place between July and September 2008 and a report will be submitted to smt thereafter on the outcome of this exercise together with a proposal to roll out the project Report produced as part of Best Value review of print room finalised May 2008. Director of Corporate Services to determine which Service is responsible for the proposed merged print room. The new merged print room will then take responsibility for all large (over 25 pages) print jobs.
<b>E - REVIEW OF CONTRACT TENDERING AND VETTING</b>						
7	MATERIAL	The Council's Health and Safety Manager requires all contractors whether registered on a Constructionline or on a local Select List to be approved by Argyll & Bute Health and Safety. The Contract Standing Orders so not reflect this.	Determine the requirement for the Council's Health and Safety to approve all contractors, including those registered with Constructionline. If agreed, develop a proposal to amend the Constitution, for ratification by the Council.	Governance & Risk Management Officer	30 April 2006 31 May 2007 30 September 2007 31 March 2008 12 June 2008	The wording of the amendment to the Constitution has been agreed with the Health & Safety Manager. The Health & Safety Manager has issued this to the appropriate members of staff.

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<b>F - REVIEW OF COUNCIL &amp; COMMITTEE DECISION FOLLOW-UP</b>						
2	MATERIAL	An evaluation and assessment of the benefits obtained from the implementation of the recommendations arising from the Legal services Best Value Review has yet to be completed.	The Head of Legal & Protective Services should submit an annual report to SMT on the outcomes and benefits arising from the Legal Services Best Value Review. Legal Services should continue to monitor and assess the benefits of the partnership with Brodies by means of regular meetings. This should also be included in the annual report.	Head of Legal & Protective Services	31 March 2008	No response.
3	MATERIAL	Progress of Traffic Regulation Orders needs to be accelerated	There are approximately 30 TROs still outstanding. Four of these are with Legal Services. Roads and Amenity Services should meet regularly with Legal and Protective Services to ensure that Traffic Regulation Orders are timeously progressed. Legal Services will review the 4 that they have still outstanding by 30 November 2007.	Head of Roads & Amenity Services and Head of Legal & Protective Services	30 November 2007 31 March 2008 31 July 2008	Revised Roads & Amenity structure – now under the remit of Network & Environment. Advise that process is progressing at an acceptable rate and is subject to ongoing monitoring. Legal Services have considered and revised the draft orders which are with them but because of their importance and complexity they are to have these looked over by Brodies to ensure their clarity and effectiveness. It is anticipated that this final review process will take no longer than 4 weeks. Implementation Date - 31 July 2008. In the meantime, Legal Services obtained and reviewed an acceptable style of Traffic Order for us in relation to on street parking and this has been passed top Operational Services so that they can use the style for such orders of this type that they may require to prepare.

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4	FUNDAMENTAL	Implementation of the Car Parking Strategy agreed by Council in September 2004 needs to be accelerated, thereby restricting further loss of income to the Council.	Roads and Amenity Services will ensure that implementation of the Car Parking Strategy is closely monitored and brought to a conclusion as soon as possible. If there are to be any changes to the strategy then this is a decision that will have to be made by members of the Council. Reports will have to be presented to the Local area Committees.	Head of Roads & Amenity services	29 February 2008	Revised Roads & Amenity structure – now under the remit of Network & Environment.
5	MATERIAL	Progress of Traffic Regulation Orders needs to be closely monitored.	The Head of Roads and Amenity Services when reviewing the monthly progress reports will address any issues applying to his services. Other issues will be taken up with the Head of Legal & Protective Services to progress.	Head of Roads & Amenity services	30 November 2007 31 March 2008	Revised Roads & Amenity structure – now under the remit of Network & Environment. Pyramid to be utilised currently at implementation stage.
6	MATERIAL	Bridge of Orchy - Negotiations have been going on at least from 1996 to resolve the issue regarding access to a water supply. There have been ongoing complicated issues that have been difficult to resolve.	Legal Services to write to the owners of properties covered by the water supply. A report will then be submitted to the Business Day of the OLI area committee.	Head of Legal & Protective Services	31 January 2008 30 September 2008	It has not been possible to secure a negotiated settlement and Legal Services having explained to the Area Committee the difficulties in pursuing a litigation in this matter against most of the owners of private property within Bridge of Orchy, The Area Committee decided that the sale of the School should be proceeded with at this time, and included in the sale should be the Council's whole interests in the water supply which will it is hoped will attract a premium on the market price of the school property. Implementation date - 30 September 2008

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7	MATERIAL	Sale of land at Baliscate Industrial site has been ongoing since 1999 and needs to be concluded.	Legal Services to get firm's solicitors to provide conveyancing drafts in order that settlement can be made.	Head of Legal & Protective Services	30 November 2007 31 March 2008 31 July 2008	In March 2008, the Purchasers requested changes to one of the boundaries of the site. Operational services required to determine where service media was located before agreeing to changes. Other conveyancing issues have been addressed and the Purchaser's solicitor (who has been on holiday) is presently reviewing further revised draft deeds. Implementation date 31 July 2008.
8	MATERIAL	It has been identified that there are approximately 41 to 50 TPOs outstanding.	Legal Services has agreed with Planning Services that Legal staff will be directed to address the backlog of TPOs, on a prioritised basis to be agreed with Planning.	Head of Legal & Protective Services and Head of Planning	31 March 2008 30 November 2008	The number outstanding has been reduced to 33, being 12 for Mid Argyll, Kintyre and Islay, 15 for Oban Lorn and the Isles, and 5 for Bute and Cowal. In Helensburgh and Lomond the Planning department has arranged to resurvey the areas to ensure that the TPOs are still required but through pressure of work they have thus far been unable to carry out the resurveys. Legal Services have only recently been able to make a start on catching up with placing TPOs as required ( some of these go back as far as 1986 when it would appear that the required procedures were not carried out) and 2 Provisional Orders have been made. This has proved extremely time consuming (particularly in relation to a TPO at Loch Awe where the TPO was over the major part of the village of Loch Awe and required research into ownership of numerous properties) and, given limited staff resources and other

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<b>G - REVIEW OF CREDITORS 2007 - 2008</b>						
1	MATERIAL	Creditors Section would benefit from the availability on the Council's Public Folders of an up to date spreadsheet list of authorised signatories from each Department. These are in the main already available. (Operational and Community Services have such lists)	The Creditors Section is to prepare spreadsheet lists of current authorised signatories and make them available on the Council's public folders. The lists should be password controlled and updated on a regular basis.	Creditor's Supervisor	31 March 2008 30 November 2008	more pressing priorities, it will be some time before all of the orders have been completed. As a result Planning have been asked to produce a prioritised list so that this can be worked through in order of the importance allocated to particular orders. As soon as this list is received, progress will be made with further orders. Implementation Date- 30 November 2008
<b>H - REVIEW OF NEW LEGISLATION</b>						
1	MATERIAL	There is no recognition within the Council Constitution of the need for departments to have a formal process in place for implementing amended and new legislation. At present departments have informal processes apart from training for the implementation of legislation	The Council Constitution should detail that the responsibility to ensure that the Council is compliant with amended and new legislation rests with Departments and their Directors. Departments should be requested to become compliant with the Council Constitution by formalising their existing informal practices in line with the recording system presently in place for training	Governance and Risk Manager	31 March 2008	This will be looked at in the new constitution

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<b>I - REVIEW OF PURCHASING AND e-PROCUREMENT</b>						
1	FUNDAMENTAL	Legal & Protective Services were not making use of Pecos, the e-Procurement System.	Arrangements should be made with the Exchequer Manager to provide Legal & Protective Services with a purchase card which would be used to order goods from specialist suppliers who are not on Pecos. Training will be provided for staff in order that they can start making use of Pecos for all other purchases.	Exchequer Manager	31 May 2007 30 September 2007 31 March 2008 31 July 2008	It is expected that Legal & Protective Services will be in a position to begin using Pecos by July 2008.
2	FUNDAMENTAL	A photocopier had been purchased from Q5 Oban. They are not one of the 3 suppliers on the approved list from the Authorities Buying Consortium.	All departments must be made aware of the existence of the approved suppliers lists and the requirement to only use suppliers from these lists. This applies to all goods and services and not only photocopiers.	Head of ICT & Financial Services	11 May 2007 30 September 2007 31 January 2008	Procurement do not recognise approved suppliers lists; only contracted suppliers. Staff ordering through Pecos receive an e-mail when they place an order with a non-contracted supplier. Only using contracted suppliers is not always an option as contract coverage is not comprehensive. A central list of contracts does not exist within the Council but Procurement are embarking on an exercise to put this together. Also working with Legal Services to revise standing orders to reflect need to move away from approved supplier lists.
<b>J - REVIEW OF SMT DECISIONS 2006/2007</b>						
1	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 30 September 2008	Changes in the Admin Support Team have precluded this development. Concentration has been on continuing to administer SMT and SMOG – no room for development. Suggested revised date 30 September 2008 and when Business Improvement Team is in place and a new Chief Executive it can be picked up then.



ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATES OF IMPLEMENTATION	COMMENT/EXPLANATION
2	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	31 January 2008 30 September 2008	Changes in the Admin Support Team have precluded this development. Concentration has been on continuing to administer SMT and SMOG – no room for development. Suggested revised date 30 September 2008 and when Business Improvement Team is in place and a new Chief Executive it can be picked up then.
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	31 January 2008 30 September 2008	Changes in the Admin Support Team have precluded this development. Concentration has been on continuing to administer SMT and SMOG – no room for development. Suggested revised date 30 September 2008 and when Business Improvement Team is in place and a new Chief Executive it can be picked up then.

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External Audit Report Follow up - Summary

External Audit Reports With Recommendations Due From January to March 2008

Audit	Points to be actioned by 31 December 2007	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Total	0	0	0	

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Points Outstanding From Previous Audit Committee

Audit	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 March 2008	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Commissioning Community Care Services for Older People	2	2	2		
Education Department - Computer Services Review	2	2	2		
Audit Scotland 2004/05 Audit - Final Report to Members	1	1		1	
Audit Scotland - Improving Customer Services through Customer Contact	1	1	0	1	
<b>Total</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>2</b>	

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**APPENDIX 4**

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATES OF IMPLEMENTATION	COMMENT/EXPLANATION
<b>A - AUDIT SCOTLAND 2004/05 AUDIT - FINAL REPORT TO THE MEMBERS</b>						
80	MEDIUM	Following the Public Pound: There is no pre-determined, clear or transparent scoring methodology or option appraisal process which ensures that the Council's objectives are met with the decision to award funding to a particular organisation Risk: The Council fails to maintain accountability over public funds.	A working party is to be established with representatives from Strategic Finance, Democratic Services and Governance and Community Regeneration. This working party will work towards implementing the recommendations within audit Scotland's "Following the Public Pound" report (July 2005)	Head of Strategic Finance	31 March 2008  June 2008	A period of time has passed since the time of this recommendation. Whilst some progress has been made it is suggested that a fuller review of the Councils approach to FTTP be undertaken and report brought to the Audit Committee in September with details of proposed action.
<b>B - AUDIT SCOTLAND IMPROVING CUSTOMER SERVICES THROUGH BETTER CUSTOMER CONTACT</b>						
1	MEDIUM	Councils needs to commit to actively pursue a programme to manage customer service improvements as this is central to effective service delivery. Councils should improve how they research customers' opinion on service and make better use of feedback. Councils should improve performance measurement.	N/A	Head of Democratic Services and Governance	31 December 2005 31 August 2007 31 March 2008	Customer services centreboard has managed CRM project and developed a customer strategy setting out a vision for improved customer service was approved by the council in April . An action plan to embed the new strategy will be prepared for approval by the SMT and implementation thereafter on an ongoing basis.

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