

Public Document Pack

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate and Legal Services
Director: Nigel Stewart



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25 July 2003

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **FRIDAY, 1 AUGUST 2003** at **12.00 NOON**, which you are requested to attend.

Nigel Stewart
Director of Corporate and Legal Services

BUSINESS

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST (IF ANY)**
- 3. MINUTES**
 - (a) Audit Committee of 21 February 2003 (Pages 1 - 2)
 - (b) Audit Committee of 30 May 2003 (Pages 3 - 6)
- 4. ANNUAL ACCOUNTS 2002/03 - UNAUDITED**
Report by Director of Finance (Pages 7 - 14)
- 5. (a) PROGRESS REPORT ON EXTERNAL AUDIT REPORTS FROM PRICEWATERHOUSECOOPERS TO THE COUNCIL FOR 2000/2001**
Report by Internal Audit Manager (Pages 15 - 24)
 - (b) VAT RELATED ISSUES**
Report by Director of Finance (Pages 25 - 26)
- 6. PMP EXTERNAL AUDIT REPORTS 2002/03**
Report by Internal Audit Manager (Pages 27 - 76)
- 7. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS 2001/02**
Report by Internal Audit Manager (Pages 77 - 90)

8. EXTERNAL AUDIT REPORTS 2002/03

Report by Internal Audit Manager (Pages 91 - 106)

9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2003/04

Report by Internal Audit Manager (Pages 107 - 110)

AUDIT COMMITTEE

Vincent Bradbury (Vice-Chairman)

Councillor John McAlpine

Councillor Gary Mulvaney (Chairman)

Councillor John Tacchi

Councillor Donald MacMillan

Graham Michie

Councillor Elaine Robertson

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ARGYLL AND BUTE COUNCIL

MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on FRIDAY 21 FEBRUARY 2003

Present: Councillor John Stirling (In the Chair)

Councillor Robert Macintyre
Councillor Alistair MacDougall
Mr Graham Michie

Attending: Charles Reppke, Head of Democratic & Community Services
Gerry Wilson, Head of IT Infrastructure
Bruce West, Head of Accounting
Ian Nisbet, Internal Audit Manager
Steve Keightley, KPMG
Brian Howarth, Audit Scotland

Apologies: Councillor Gordon McKinven Mr Vincent Bradbury
Councillor James McQueen

1. MINUTES

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

2. CORPORATE GOVERNANCE/RISK MANAGEMENT

In accordance with Corporate Governance arrangements a formal assessment of business risks is required to be undertaken by the Council, and a report set out a proposed timetable to achieve this.

Decision

The Audit Committee noted the arrangements in place to train staff with regard to strategic and operational risks; the creation of a Risk Register and the ongoing monitoring and updating of the register.

(Ref: Report by Head of Legal Services dated 27 January 2003, submitted).

3. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS FROM PRICEWATERHOUSE COOPERS TO THE COUNCIL FOR 2000/2001

Internal Audit has prepared a list of all external audit management letters where recommendations still remain outstanding. The Head of IT Infrastructure and the Head of Accounting updated the Committee on elements of the management letters which they still require to complete actions on.

Decision

1. Agreed to note the contents of the Report.
2. That Internal Audit continue to pursue completion of the outstanding matters.

(Ref: Report by Internal Audit Manager dated 21 February 2003, tabled).

4. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS TO COUNCIL FROM 2001/2002

Internal Audit has prepared a list for all external audit management letters produced by Audit Scotland for 2001/02. A review regarding the progress made by management in the implementation of these reports recommendations has been undertaken.

Decision

To note the contents of the Internal Audit Manager's Report and that it be followed up by Internal Audit.

(Ref: Report by Internal Audit Manager dated 21 February 2003, tabled).

5. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2002-2003

An interim progress report has been prepared covering the audit work performed by Internal Audit during the third quarter of 2002-03.

Decision

To note the progress made with the Annual Audit Plan 2002-2003.

(Ref: Report by Internal Audit Manager dated 21 February 2003, submitted).

6. ANNUAL AUDIT PLAN 2003-2004

The Internal Audit Manager reported on the Annual Audit Plan 2003-2004.

Decision

That the Annual Audit Plan for 2003/04 be approved.

(Ref: Report by Internal Audit Manager dated 21 February 2003, submitted).

Audit comm. 21 feb

MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS' ROOM, COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on FRIDAY, 30 MAY 2003

- Present:** Councillor Gary Mulvaney (Chair)
- Councillor Donald MacMillan Councillor John McAlpine
- Attending:** Stewart McGregor, Director of Finance
Charles Reppke, Head of Democratic & Community Services
Ian Nisbet, Internal Audit Manager
Steve Keightley, KPMG
Brian Haworth, Audit Scotland
Bernadette Quinn, Audit Scotland
- Apologies:** Councillor John Tacchi Mr Graham Michie
Councillor Elaine Robertson

* 1. **FIRST YEAR OF PARTNERSHIP AGREEMENT WITH KPMG AND PROPOSALS FOR THE SECOND YEAR**

A report detailing the progress of the Internal Audit Partnering Agreement in its first year of operation and explaining KPMG's proposals for the forthcoming year was considered.

Decision

1. To note the progress of the agreement in its first year and approve the proposals for the forthcoming year.
2. That having heard the guidance from KPMG and the Controller of Audit's view of the position of the Section 95 Officer, the Audit Committee recommend to the Council that the Section 95 Officer be a member of the Council's Senior Management Team.

(Ref: Report by KPMG dated 7 May 2003, submitted).

ARGYLL AND BUTE COUNCIL

**REPORT BY DIRECTOR OF CORPORATE AND LEGAL SERVICES IN
THE ABSENCE OF A QUORUM FOR THE AUDIT COMMITTEE of 30
MAY 2003 held in KILMORY, LOCHGILPHEAD**

Present: Councillor Gary Mulvaney (Chair)

Attending: Stewart McGregor, Director of Finance
Charles Reppke, Head of Corporate & Democratic Services
Ian Nisbet, Internal Audit Manager
Steve Keightley, KPMG
Brian Haworth, Audit Scotland
Bernadette Quinn, Audit Scotland

Apologies Councillor Donald MacMillan
Councillor John McAlpine
Councillor Elaine Robertson
Councillor John Tacchi
Mr Graham Michie

Councillors John McAlpine and Donald MacMillan, having previously given their apologies, had left the meeting and the Committee was no longer quorate.

2. MINUTES

It had been recommended that the Committee should, at its meeting on 1 August 2003, approve the minutes of the Audit Committee of 21 February 2003 as a correct record.

3. TERMS OF REFERENCE OF AUDIT COMMITTEE

It had been recommended that consideration of this item be continued to the meeting scheduled for 1 August 2003.

4. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS TO COUNCIL FROM 2001/2002

Internal Audit had prepared a list for all external audit management letters produced by Audit Scotland for 2001/02 and had provided details regarding the progress made by management in the implementation of the report recommendations.

Decision

To recommend that the Audit Committee on 1 August 2003:-

1. Notes the contents of the submitted report and requests that this be followed up by Internal Audit.
2. Advises the Information Technology Department of its concern that the Oracle Software problems have yet to be rectified. In the meantime, a report on this matter

should be prepared for submission to the meeting to be held on 1 August 2003 and;

3. Notes that Audit Scotland will be pursuing those items which are outstanding in Appendix 4 of the submitted report.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted)

5. FINAL REPORT ON 2002/2003 AUDIT PLAN

A final report covering audits performed by Internal Audit during 2002-2003 had been submitted for consideration.

Decision

1. To recommend that the Committee, at its meeting on 1 August 2003, notes the contents of the submitted report and congratulates the Audit team on being within the estimate of audit days.
2. That the 2003/4 Audit Plan be submitted to the meeting on 1 August 2003 for information.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted).

6. REPORT ON 2002/2003 INTERNAL FINANCIAL CONTROL STATEMENT (IFCS)

The Council's Senior Management have a responsibility to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. In respect of the Council's annual accounts for the financial year 2002-03, Internal Audit have a responsibility to provide an annual overall assessment of the robustness of these controls for the Director of Finance.

Decision

That the Audit Committee, at its meeting on 1 August 2003, notes the contents of the submitted report.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted and updated IFCS dated 30 May 2003, tabled)

7. EXTERNAL AUDIT REPORTS 2002/2003

External Audit use a method known as Performance Management and Planning (PMP) to review the Council's Best Value Progress. Executive summaries from the reviews carried out by External Audit in 2002-03 had been submitted for consideration.

Decision

That the Audit Committee, at its meeting on 1 August 2003, notes the contents of the submitted report.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted)

8. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS FROM PRICEWATERHOUSECOOPERS (PwC) TO THE COUNCIL FOR 2000/2001

Internal Audit had prepared a list of all external audit management letters where recommendations remain outstanding together with details of progress made in the implementations of these recommendations.

Decision

That the Audit Committee, at its meeting on 1 August 2003:-

1. Notes the contents of the submitted report and instructs Internal Audit to follow up the outstanding matters.
2. Expresses concern about the failure to undertake the VAT related tasks for 2000/2001 and in the meantime, the Director of Finance should investigate this matter and report back to the next meeting of the Committee.

(Ref: Report by Internal Audit Manager dated 30 May 2003, submitted).

9. INTERNAL AUDIT PERFORMANCE MEASUREMENT 2002/2003

At the outset of the financial year 2002/3 Internal Audit had been tasked to measure the performance of its service delivery to allow comparison to be made on a year-on-year basis and to set targets for improvement. By meeting such targets, the Committee would have confidence that Internal Audit had been delivering a quality service.

Decision

To recommend that the Audit Committee, at its meeting on 1 August 2003, notes the contents of the submitted report.

**ARGYLL AND BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
1 AUGUST 2003**

ANNUAL ACCOUNTS 2002/2003 (UNAUDITED)

1. SUMMARY

The Accounts were submitted to the Council on 25 June 2003 and sent to the Controller of Audit immediately thereafter. This is in compliance with legislative requirements and is within the stipulated timescale.

My covering report attached, highlights the main points. Of particular interest to members of the Audit Committee is the improved level of the General Fund Reserve, adherence to budgets (particularly Education) and the new statement on Internal Financial Control. In addition, the financial position of the Building Maintenance DLO is highlighted and requires continued monitoring by the Commercial Operations Board, together with reporting to Council.

The Completion of the audit of Accounts is expected by the end of September and the External Auditors report will be submitted to Council and to the Audit Committee thereafter.

2. RECOMMENDATION

The Audit Committee notes the submission of unaudited Accounts within statutory timescales and notes also the generally satisfactory financial position while recording concern over the Building Maintenance DLO financial position.

Stewart McGregor
Director of Finance
20 June 2003

reports/19junesmgauditcommannualaccounts

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2002/03 ANNUAL ACCOUNTS (UNAUDITED)

1. SUMMARY

Departments have adhered to approved budgets and savings have been generated in loan charges and local tax income. As a result, the General Fund Reserve has increased to £5.114m including £1.122m transferred on closure of the Insurance Fund and Renewal and Repairs Fund at 31 March 2003, £0.133m transferred from Housing Revenue Account and contributions from reserves during the year amounting to £0.845m. Part of the Reserve in the sum of £1.084m is ring fenced for specific purposes.

The Housing Revenue Account Reserve now stands at £0.423m down from £1.151m. The budgeted reduction was £0.468m.

Direct Labour Organisations and Direct Service Organisations achieved a net surplus overall of £0.073m although the Building Maintenance DLO returned a deficit of £0.204m.

It is particularly pleasing to note that Education have come within budget, when a requirement to contain expenditure by approx. £1.3m was identified early in the 2002/03 financial year.

The balance now on the General Fund Reserve should be retained to meet any future unforeseen expenditure.

2. RECOMMENDATIONS

2.1 Members note the unaudited accounts

2.2 Members agree to the retention of the General Fund Reserve at a level of £4.030m to meet any unforeseen future expenditure.

3. DETAIL

3.1 Introduction

There is a statutory requirement to prepare a set of Accounts and submit the Accounts to the Controller of Audit and the Council.

The date set by the Scottish Executive for submission of the Accounts is 30 June of each year.

It should be noted that the Accounts have still to be audited. The Auditors certificate and letter to Members will be submitted to Members immediately after the completion of the audit anticipated for 30 September 2003. Figures are therefore subject to change.

3.2 Outturn for the Year on the General Fund and the Housing Revenue Account

3.2.1 A surplus of £3.372m was achieved in the General Fund and a deficit of £0.636m in the Housing Revenue Account, excluding any brought forward balances. This includes a net contribution of £0.845m from reserves to the General Fund. Details are shown on the page in the Accounts headed "Consolidated Revenue Account".

3.2.2 The following table shows the variances between actual and budget for the year (where actual exceeds budget, the difference is shown as a bracketed figure). For the purpose of comparison, the budget for 2002/03 has been taken as the original approved budget plus any supplementary estimates agreed to by Committee. Adjustments to budget have also been made in respect of additional revenue support grant and items transferred from revenue to capital. In the case of Education, Finance and Transportation & Property, the costs associated with Directors early retirement have also been added. The Council gave approval prior to 31 March 2003 to the incurring of the early retirement costs and did not require the departments to contain this extra expenditure within the existing budget.

| | £m |
|--|--------------|
| Education | 0.068 |
| Housing & Social Work | 0.048 |
| Transportation & Property | 0.164 |
| Development & Environment | 0.079 |
| Finance (incl Local Tax Administration) | 0.184 |
| Corporate & Legal (incl District Courts) | 0.042 |
| Chief Executive (Personnel, IT and incl Corporate Policy) | 0.082 |
| Loan Charges | 0.880 |
| Local Tax Income | 0.978 |
| Other | <u>0.002</u> |
| Total Saving | 2.527 |
| Contributions from reserves as budgeted | <u>0.845</u> |
| Surplus for year | <u>3.372</u> |

3.2.3 The Education Department outturn coming within the approved budget is a significant achievement, given that the cost of delivering the service was identified to be approximately £1.3m greater than budget. The identification of the £1.3m was reported by the out posted finance team in Education, in June 2002 and correcting action implemented immediately.

External Audit have been asked by the Controller of Audit in Scotland to critically examine the Revenue Budget Monitoring Process now in place for Education. Their initial view is satisfaction with the improved process while recognising that further improvements are built into an ongoing action plan.

3.3 General Fund Reserve & Housing Revenue Account Reserve3.3.1 *General Fund Reserve*

- (a) The General Fund Reserve at 31 March 2002 amounted to £0.487m. In February 2003, the Council agreed to close the Insurance Reserve and the Renewal & Repairs Reserve and transfer the balances to the General Fund Reserve. Accordingly the sum of £1.122m has been transferred as at 31 March 2003. The Council also agreed to transfer £0.133m from the Housing Revenue Account on account of a reduction in central support allocations. In addition, surplus of £3.372m has been achieved for 2002/03. Part of this surplus has to be regarded as earmarked. The sum earmarked is made up of the following:-

| | £m |
|--|--------------|
| • <i>Waste Management PPP Smoothing Fund</i> | 0.467 |
| • <i>Corporate Property Strategy</i> | 0.030 |
| • <i>Area Revenue Budgets</i> | 0.057 |
| • <i>Modernising Government Fund</i> | 0.098 |
| • <i>Council Tax Benefit Admin Grant</i> | 0.016 |
| • <i>Digital Communities</i> | 0.305 |
| • <i>Three Islands Partnership</i> | 0.041 |
| • <i>Young Scot</i> | <u>0.070</u> |
| | <u>1.084</u> |

As a result of the foregoing, the total sum in the General Fund Reserve, at 31 March 2003, is as follows:-

| | £m |
|---|--------------|
| Balance b/f at 31 March 2002 | 0.487 |
| Transferred from Insurance and Renewal & Repairs Reserves | 1.122 |
| Transferred from HRA | 0.133 |
| Surplus for Year | <u>3.372</u> |
| TOTAL | £5.114 |
| of which earmarked amounts to | <u>1.084</u> |
| “Free” surplus | £4.030 |

- (b) At the Council Meeting in February 2003, consideration was given to the report on the Council’s Reserves and Balances. The report followed the publication of guidance by the Chartered Institute of Public Finance & Accountancy on maintaining a sufficient level of General Fund Balance to meet unforeseen events. The report recommended a build up of the General Fund Balance to £3m.

It can be seen that the amount of “free reserve” now standing at £4.030m achieves the recommended level.

My advice is that this balance should be retained to meet any unforeseen expenditure. In the event of a draw being made on the General Fund Reserve, the sum withdrawn should be replaced no later than the following financial year and this would normally be done by adding the sum to the amount to be raised through council tax, or identifying compensating savings not available in the previous year.

3.3.2 HRA Reserve

The Housing Revenue Account Reserve at 31 March 2002 amounted to £1.151m. A deficit of £0.636m has arisen for the year to 31 March 2003. A transfer to the General Fund of £0.133m was made to offset the reduction in central support allocations as agreed by the Council in February. Interest of £0.041 on the reserve balance has been added. The total sum carried forward at 31 March 2003 therefore amounts to £0.423.

3.3.3 Direct Labour Organisations & Direct Service Organisations

Overall, these organisations have achieved a surplus of £0.073m for 2002/03. This sum has been transferred to the General Fund and now forms part of the overall General Fund Reserve.

The Building Maintenance DLO was the only unit to return a deficit. This amounted to £0.204m and Members will recall that a projected deficit was reported through the Commercial Operations Board to the Council during 2002. Steps were taken to minimise the deficit and whereas a deficit of £0.157m was projected, the actual deficit can be broken down as follows:-

| | Projected Deficit £ | Actual Deficit £ |
|---------------------|------------------------|---------------------|
| Deficit on trading | 0.157 | 0.105 |
| Exceptional Items:- | | |
| Redundancy Costs | - | 0.069 |
| Stock Write off | - | 0.030 |
| | | 0.204 |

It can be seen that successful efforts were made to minimise the deficit arising from normal trading. The action taken to minimise the deficit included the preparation of a new business plan. This was submitted to the Commercial Operations Board on 20 March 2003. Monitoring is now taking place against the revised plan. It is recognised that the position by mid 2003/04 is crucial and management are required to advise members on the future viability of the Building Maintenance DLO immediately following the mid point of the financial year.

3.4 Statement on the System of Internal Financial Control 2002/03

The Code of Practice on the Annual Accounts now includes a requirement to prepare a statement on the system of internal financial control. My statement appears on page number 37 of the Annual Accounts and is drawn from the Internal Audit Manager's statement on the adequacy and effectiveness of the internal financial control system of the Council. The Internal Audit Manager presented his statement to the Audit Committee on 30 May 2003.

My statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for Internal Audit.

Although some weaknesses in the system of financial control have been identified, most of these have been rectified between the time of Internal Audit identifying the weakness and the time of preparation of this report. The main item remaining outstanding is the completion of a Risk Register for the Council. It is estimated that the Risk Register will be completed by September 2003.

Stewart McGregor
Director of Finance
18 June 2003

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**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
1st AUGUST 2003**

**PROGRESS REPORT on EXTERNAL AUDIT REPORTS FROM
PRICEWATERHOUSECOOPERS (PwC) TO THE COUNCIL FOR 2000/2001**

1. SUMMARY

Internal Audit has prepared a list of all external audit management letters where recommendations still remain outstanding. (See Appendix 1). Management progress regarding implementation has been reviewed by Internal Audit the results of which are detailed below.

2. RECOMMENDATIONS

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

3. DETAILS

3.1 As reported by Internal Audit at the last Audit Committee only 1 recommendation remains to be implemented by the IT department from the Second Interim Management Letter 2000/2001. The IT Manager for Infra Structure, Mr Gerry Wilson, stated to Internal Audit that a presentation of 2 reports to the Management Team in May did not take place and has been rescheduled for presentation to the Strategic Management Team on the 8th of July 2003. However the IT Section has now been amalgamated with a part of Finance and the 2 reports may be subject to further review. (See Appendix 2).

3.2 The last review by Internal Audit indicated that there were 2 recommendations yet to be fully implemented from the Audit Management Letter 2000/2001. As at the 30th June 2003, Internal Audit can report that both recommendations have been implemented. (See Appendix 3).

4. CONCLUSIONS

Implementation of recommendations will continue to be monitored by Internal Audit as part of the annual audit plan. Those remaining to be implemented will continue to be reported 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 Ian Nisbet, Internal Audit Manager (01546 604216)

Ian Nisbet

Internal Audit Manager 1st August 2003.

1augprogreport01Aug

APPENDIX 1**EXTERNAL AUDIT REPORTS**

| PwC Report Name | Comments Obtained from Respondents Y/N | Recommendations Outstanding |
|--|---|--|
| Second Interim Management Letter 2000/2001 | Y | 1 |
| Audit Management Letter 2000/2001 | Y | 0 |

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APPENDIX 2

ARGYLL & BUTE COUNCIL

SECOND INTERIM MANAGEMENT LETTER 2000/01

JULY 2001 (Updated 30th JUNE 2003)

SECOND INTERIM MANAGEMENT LETTER

SECTION 6: ACTION PLAN

| Reference No. | Recommendations | Responsible Officer | Agreed Date of Implementation | Update as at 30/06/03 |
|---------------|---|---------------------|-------------------------------|--|
| Ref 3 | <p>In order to increase system resilience it is recommended that a contingency and scenario planning exercise be undertaken. This should enable a full risk assessment to be made and a detailed disaster recovery plan to be developed. This plan should then be tested and updated on an ongoing basis.</p> | G. Wilson | End October 2001 | <p>The IT Manager, Gerry Wilson is presenting 2 reports to the Strategic Management Team for 8th July 2003. It is his view that if the reports are accepted then implementation will then begin. However the IT Section has been amalgamated with a section of Finance and the reports may be subject to further review.</p> <p>On the 8th July, the Management Team agreed that arrangements should now be made with a Disaster Recovery company for a replacement unit in the event of a disaster.</p> |

APPENDIX 3

ARGYLL & BUTE COUNCIL

AUDIT MANAGEMENT LETTER 2000/01

7 JANUARY 2002 (Updated 30th JUNE 2003)



| Findings | Recommendation | Management Comment | Responsible Officer | Agreed completion date | Update as at 12/05/03 | Update as at 30/06/03 |
|--|--|---|------------------------------|------------------------|--|--|
| <p>9.01</p> <p>Partial Exemption</p> <p>The Council has a VAT partial exemption de-minimus level of 5%. At the time of our visit, we noted that the Council had not undertaken a partial exemption calculation for either the 1999/2000 or 2000/2001 financial years, although we were advised that their VAT advisers were currently working on the 1999/2000 calculation.</p> <p>In the absence of any partial exemption calculations for either 1999/2000 or 2000/2001 we are unable to comment as to whether the Council has remained within its 5% de minimus limit. It should be noted that if the Council were to exceed its 5% limit, the VAT cost to it would be in excess of £340,000 per year (based on 5% of the input tax declared on the VAT returns submitted for 2000/2001).</p> | <p>The Council should review the current procedure for calculation of its partial exemption position such that this is undertaken on a timely basis.</p> | <p>The Council is going to review the contract for external consultancy for both partial exemption and advice support. It is the intention to carry out a tendering exercise early in 2002.</p> <p>It is still the intention to retender for this service in 2002</p> | <p>T Armour / B West</p> | <p>Ongoing</p> | <p>The advisors are still working on this but final proposals are to be reviewed by the Inland Revenue</p> | <p>Complete as at 30th June 2003.</p> |
| <p>9.02</p> <p>Detailed Review of March 2001 VAT return</p> <p>The Council currently completes a VAT return to Customs and Excise on a monthly basis. The reconciliation of the return to the</p> | <p>Consideration should be given to agreeing an input tax estimate with Customs to</p> | <p>Exercise to identify an input tax estimate for submission and agreement with</p> | <p>T Armour / B West</p> | <p>Ongoing</p> | <p>Once the exercise mentioned in recommendation 9.01 has been</p> | <p>A process has been established for carrying out a manual accrual to bring the reclaim of VAT forward.</p> |

| Findings | Recommendation | Management Comment | Responsible Officer | Agreed completion date | Update as at 12/05/03 | Update as at 30/06/03 |
|--|--|---|---------------------|------------------------|---|---|
| <p>financial ledger includes a number of manual adjustments to reflect the council's operations.</p> | <p>allow for any VAT on expenditure invoices dated within the VAT return period that have not been processed by the period end. On the basis that the average delay in processing invoices is 30 days, a one off advance VAT payment of around £565,000 could be obtained. The cashflow benefit in respect of such an advance would be approximately £33,800 per year (based on interest rates at 6%).</p> | <p>customs and excise will be carried out. Although it will depend on the availability of staff and external consultants.</p> <p>We have had preliminary discussions with KPMG (VAT advisors) and we will look at this once the annual accounts have been prepared.</p> | | | <p>completed arrangements will be made to commence retendering.</p> | <p>This commenced at the end of May and the invoice claim was £360,000. The annual saving in interest is estimated at £12,000 based on a 3.5% current interest rate. This recommendation has therefore been implemented. This arrangement is fully acceptable to Customs & Excise who have given it their approval.</p> |

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**ARGYLL AND BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
1 AUGUST 2003**

VAT RELATED TASKS

1. SUMMARY

At the Audit Committee on 30 May I expressed my concern on the delay in completing an item raised by the Council's former external auditors PricewaterhouseCoopers. The issue relates to ensuring that VAT on Exempt Inputs does not exceed 5% of total VAT on inputs. If the 5% is breached, the Council would lose a significant sum in VAT recovery from Customs and Excise.

Ernst & Young have been assisting the Council to complete the calculation to arrive at the amount of VAT on exempt inputs for the year in question 2000/2001. This exercise has now been completed and the Council have not breached the 5% limit.

Further exercises will now be carried out to bring calculations up to date to the year 2002/2003 and a report on progress will be submitted to the Audit Committee in November.

2. RECOMMENDATION

The committee notes the completion of the point on VAT partial exemption for the year 2000/2001 raised by PricewaterhouseCoopers and instructs the Responsible Financial Officer to bring forward a progress report to the November meeting on bringing the exercise up to date.

Stewart McGregor
Director of Finance
30 June 2003
reports/1augustauditcommmsg

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**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
1st AUGUST 2003**

PMP EXTERNAL AUDIT REPORTS 2002 – 03.

1. SUMMARY

As part of Audit Scotland's statutory responsibilities, they are required to satisfy themselves that the Council has in place appropriate management arrangements to secure value for money from the resources available to it. The method used by external audit to review Council best value progress is Performance Management and Planning (PMP). Internal Audit has carried out a review of the progress made by local management in the implementation of recommendations from the PMP external audit reports 2002 - 03. (See Appendix 1)

2. RECOMMENDATIONS

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

3. DETAILS

3.1 Appendix 2 to 7 presents the action plans from the PMP follow up reviews carried out by external audit. A review of these by Internal Audit as of 30th June 2003 indicates that local management actions required prior to July have been implemented. The only exception to this is recommendation number 5 of the Audit of Registration Services report. Action on this point has been delayed to await the outcome of Council restructuring. Progress comments have been obtained from local management and included within the appended action plans for remaining dates, which stretch into 2004.

4. CONCLUSIONS

Implementation of recommendations will continue to be monitored 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 Ian Nisbet, Internal Audit Manager (01546 604216)

Ian Nisbet
Internal Audit Manager 01August 2003.
1augfinalreport01aug

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APPENDIX 1**EXTERNAL AUDIT PMP REPORTS**

| Appendix No. | PMP Report Name | No. of Recommendations Outstanding |
|---------------------|------------------------|---|
| 2 | Personnel | 1 |
| 3 | Fleet Management | 2 |
| 4 | Corporate Approach | 5 |
| 5 | Roads & Transportation | 2 |
| 6 | Registration | 1 |
| 7 | Community Care | 7 |

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APPENDIX 2

BEST VALUE ACHIEVEMENT REPORT

Action Plan

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | Dates for further follow-up work agreed with auditor. | Progress as at 30 th June 2003. |
|--|--|---|--|--|---|--|
| 9. Review of Induction Training | Completion of review and implementation of new induction courses. | Higher attendance at courses and more efficient delivery of training materials. | Review completed (A) | Revised induction material and report on review of induction | N/A | |
| 11. Introduction of Northgate Personnel Module. | Implementation of the Personnel Module by March 2002. | To provide a single database with information on the Council's workforce, to minimise data input and maximise accuracy. | HR system in the process of being implemented. Target date: Autumn 2003 (B) | Project Plan with key dates. | January 2004 | This is well under way and should meet target. |
| 8. Benchmarking of attendance. | Establish the process map for managing attendance by October 2001. | To achieve statutory Performance Indicator attendance target. | Report delayed due to other pressures, now complete. Outcome of the study now being progressed by the Council Attendance Management Group. (B) | Minutes of Meetings held since 2nd July available from Personnel Services Manager. | May 2003 | Completed |

APPENDIX 2

BEST VALUE ACHIEVEMENT REPORT

Action Plan

Note:

* Gradings are explained in Exhibit 1, which is included at the end of the IAPR.

Exhibit 1: Extent of action implementation

| | |
|---|---|
| <p>A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template i.e. action complete or planned milestones met and on target.</p> | <p>C – Progress is less than intended in the original improvement action template. The council manager cannot demonstrate they have plans in place to complete the action.</p> |
| <p>B – Progress is less than intended in the original improvement action template. The council manager can demonstrate they have plans in place to complete the action.</p> | <p>D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.</p> |

APPENDIX 3

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with auditor. | 7. Progress as at 30 th June 2003. |
|--|--|--|---|--|--|--|
| 1. Complete a Getting To Know You Exercise | No agreed dates but it was assessed that the task would take about 23 weeks when started | To ensure/demonstrate that the Service has: <ul style="list-style-type: none"> - identified all stakeholders - confirmed customer needs, priorities, expectations and perceptions - agreed realistic standards and targets - agreed information reporting requirements | During the past year meetings have continued with fleet users. This has been achieved through user group meetings and also with users individually whenever required. Fleet Management was also involved with, and continues to be involved with the Education department scrutiny group which has helped to inform both Education and Fleet Management. Further work regarding this improvement action will have to wait the outcome of the implementation of a council restructuring which may have a significant impact on future service requirements. (Grade B)* | Agendas and minutes of meetings held since the PMP audit. PMP SMART action plan | September 2003 at earliest i.e. following the completion of the planned restructure. | This has been delayed, not likely to be completed by Sep 03. |

Note: * Gradings are explained in Exhibit 1, which is included at the end of the IAPR. Action plan numbering is consistent with the previous year's follow

up report.

APPENDIX 3

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|---|--|---|--|--|--|--|
| 4. Redesign the customer survey forms and repeat the customer survey exercise | No agreed dates but it was assessed that the task would take about 16 weeks when started | To confirm what the user perceptions are of the Service on an ongoing basis so that continuous improvement can be shown | No significant progress on this task in the last 12 months but feedback is obtained regularly at meetings. It is believed that Housing & Social Work completed a review of its service during the last year and it was reported verbally that vehicle users are delighted with the service provided by Fleet Management. (Grade C) | Verbal feedback from Ernie Brown – H&SW | September 2003 | This has been delayed, not likely to be completed on time. |
| 6. Identify organisations that it may be beneficial to form links with and develop links with those organisations with a view to improving the cost/quality balance | No agreed dates but it was assessed that the task would take about 30 weeks when started | Improved cost/quality balance by learning from organisations that may be achieving a better balance than us | Between September and November 2002 meetings were held with Lex Transfleet, MHS and Jack Allen. These are all major contract hire companies. All three companies were kind enough to provide quotes for the provision of the fleet, including procurement, management and maintenance and it was subsequently shown that in-house provision of the service would benefit the | Information received from Lex Transfleet, MHS and Jack Allen | N/A | |

APPENDIX 3

| | | | | | | |
|--|--|--|--|---|--|--|
| | | | | council by about £200,000 per year. (Grade B) | | |
|--|--|--|--|---|--|--|

Exhibit 1: Extent of action implementation

| | |
|---|---|
| <p>A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template i.e. action complete or planned milestones met and on target.</p> | <p>C – Progress is less than intended in the original improvement action template. The council manager cannot demonstrate they have plans in place to complete the action.</p> |
| <p>B – Progress is less than intended in the original improvement action template. The council manager can demonstrate they have plans in place to complete the action.</p> | <p>D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.</p> |

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APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up date. | Progress as at 30 th June 2003. |
|--|--|--|---|--|---------------------|---|
| 5. Develop and host Service Challenge Day | <ul style="list-style-type: none"> ▪ Develop training programme June 2001 ▪ Services nominate staff to attend days August 2001 ▪ Trainers are trained August 2001 ▪ Organise events September 2001 ▪ Host events September 2001-2002 ▪ Review and revise events March 2002 | <p>Staff would have</p> <ul style="list-style-type: none"> ▪ greater awareness of Best Value ▪ more involvement in the Best Value process ▪ more ownership of the process | <p>We have postponed this task for the following reasons. The Service Challenge Day aimed to inform staff about Best Value in general and particularly in relation to the Best Value requirements outlined in the Local Government Bill (as they are likely to be the staff responsible for implementing these requirements). However, the Local Government Bill has still not received assent and the associated guidance has been considerably delayed. Therefore, we have decided to wait until the guidance has been developed and the Bill has received assent to ensure that all of the required information is given to staff otherwise there is a high risk of having to run the training days again which would be prohibitively expensive and not achieve the best use of our resources. Secondly, the aim of the service challenge day is to train 3rd tier managers who were then going to act as cascades to their staff.</p> | <p>The work is programmed in the Corporate Policy Service Plan. (5)</p> | <p>January 2004</p> | <p>Working towards this date, on target to be finished on time.</p> |

APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up dates |
|--|---|--|--|--|--------------------|
| | | | <p>However, the implementation of the organisational review recommendations would mean that a number of the existing 3rd tier staff might no longer be the most appropriate people to train. Therefore, to avoid duplication it is important that we wait until after the review to ensure that we train the most appropriate people.</p> <p>We still have this work scheduled in our work programme however we do not plan to commence until the Local Government Bill receives assent and the organisation review is completed.</p> <ul style="list-style-type: none"> ▪ Develop training programme Oct 03 ▪ Services nominate staff to attend Nov 03 ▪ Trainers are trained Dec 03 <p>Host events January 04(B)</p> | | |

- * Gradings are explained in Exhibit 1, which is included on page 17 at the end of the IAPR.

APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

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|--|--|--|--|--|--|
| <p>7. Ensuring team meeting structures are in place to cascade information about best value to Council staff</p> | <ul style="list-style-type: none"> ▪ Design cascade structure July 2001 ▪ Establish cascade structure Sep 2001 ▪ Monitor and evaluate the effectiveness of the structure March 2002 | <p>Staff have</p> <ul style="list-style-type: none"> ▪ Greater awareness of Best Value ▪ more involvement in the Best Value process ▪ more ownership of the process | <p>This action is based on the assumption that 3rd tier managers are going to act as cascades to their staff. However, the implementation of the organisational review recommendations would mean that a number of the existing 3rd tier staff might no longer be the most appropriate people to train. Therefore, to avoid duplication it is important that we wait until after the review to ensure we train the most appropriate people.</p> <p>The revised timescales are as follows</p> <ul style="list-style-type: none"> ▪ Design cascade structure Oct 03 ▪ Establish cascade structure Dec 03 ▪ Monitor and evaluate the effectiveness of the structure March 04 <p>(B)</p> | <ul style="list-style-type: none"> ▪ N/A | <p>January 2004</p> <p>Guidance has been issued from personnel, on target to meet this date.</p> |

APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up dates |
|--|---|---|--|---|--------------------|
| 10. Adopt and implement the Equal Opportunities Policy for service users | <ul style="list-style-type: none"> ▪ Adopt policy March 2002 ▪ Train staff December 2002 ▪ Implement Policy Jan 2003 | <ul style="list-style-type: none"> ▪ Improved access to services for excluded groups | Equal opportunities issues are dealt with through the recently adopted equalities policy. (A) | <ul style="list-style-type: none"> ▪ Council minutes to demonstrate that the policy was adopted by Council on the 28th November 02 (10.1) ▪ Equalities Policy (10.2) ▪ The racial equalities policy has been published on our website (10.3) ▪ The equalities policy is available in our Public Folders.(10.4) | N/A |

APPENDIX 4

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|--|--|---|---|---|---------------------|
| 14. To introduce activity based costing | <ul style="list-style-type: none"> ▪ Activity based costing process December 2002 | <p>A better understanding of the costs of each individual element of a service. This will ensure that better management decisions can be made about funding services.</p> | <p>The Local Government Bill requires councils to develop trading accounts for significant operations and it requires Councils to implement BVACOP. The legalisation provides a number of new opportunities in relation to how we operate and manage our finances. The Council is investigating these opportunities and devising an action plan that may or may not include activity based costing.</p> <p>(D)</p> | <ul style="list-style-type: none"> ▪ Management Team paper (Feb 2003) on the implications of the Local Government Bill. (14) | N/A |

APPENDIX 4

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|--|--|--|--|---|--------------------|
| 15. To develop 3 year budgeting (prompt 14) further by integrating the service planning process with the budgeting process more fully. The key intention being to produce during the course of 2001-2, the framework for an integrated corporate service and financial plan. | <ul style="list-style-type: none"> ▪ Integrated planning guidance issued in draft July 2001 ▪ First integrated service and budget plans November 2001 ▪ First Corporate Service and Financial Plan Feb 2002 | <ul style="list-style-type: none"> ▪ Developing a corporate integrated budget and service plan will ensure that the council is making the best use of scarce resources. ▪ It will also ensure a more integrated and joined up approach to service delivery | Completed (A) | <ul style="list-style-type: none"> ▪ Service Planning Guide (15.1) ▪ An integrated service and budget plan (15.2) ▪ The Corporate Service Plan. (15.3) ▪ Minute of the Council (15.4) | N/A |

APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up dates |
|---|---|--|--|--|--|
| 20. Develop the information strategy to ensure that effective, relevant and timely measures of performance are in place or are in development | <ul style="list-style-type: none"> ▪ Initial proposed measures by April 2001 ▪ Consultation on measures via Citizens Panel third quarter of 2001 ▪ Agreed plan for action 23 incorporated into Integrated Corporate Plan February 2002 | <ul style="list-style-type: none"> ▪ Identification of key performance measures across all services | <p>This has been incorporated into the council's strategic service review on knowledge management. The review has a six month timescale and is due to start in February</p> <p>Also identified as an action to be taken forward from the latest EFQM face to face session.</p> <p>(B)</p> | <ul style="list-style-type: none"> ▪ Knowledge Management Best Value Review Report to Management Team (19th Dec 2002) (21.1) ▪ Alasdair's diary of road shows (21.2) ▪ The road show presentation (21.3). | September 2003 |
| 21. Extension of reporting to relevant service points | <ul style="list-style-type: none"> ▪ Following agreed measures, performance information to be displayed at all service points by March 2003 | Performance Information available to the public at point of service use | <p>As some services already publish performance information at the point of service delivery.</p> <p>(A)</p> <p>The Council has been undergoing an organisational review since August 2002. The review is likely to change the</p> | <ul style="list-style-type: none"> ▪ The Development and Building Control Handbook is sent/given to every one who makes a planning application. (22.1) ▪ A notes about the location/ availability of the figures. There is a need to visit the | <p>At some points March 2003</p> <p>At all points September 2003</p> |

APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

| | | | | | |
|--|--|--|---|--------------------------------|--|
| | | | structure of the organisation and the way we interface with the public. | offices to verify this. (22.2) | |
|--|--|--|---|--------------------------------|--|

APPENDIX 4

IMPROVEMENT ACTION PROGRESS REPORT

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up dates |
|--|---|---|--|---|--------------------|
| | | | <p>Therefore, we decided that if services did not have their point of service reporting structure in place then we would suspend the requirement to do so until after the review.</p> <p>There has also been slippage because of the latest of national guidance from the Best Value Task Force. See 23.</p> | <ul style="list-style-type: none"> An example of the performance figures that Development and Building Control report at the Areas Offices. (22.3) | |

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up dates | |
|--|--|--|---|--|--|--|
| <p>22. Complete implementation of management information systems to deliver required performance information</p> | <ul style="list-style-type: none"> • The Council is to review its management information systems Nov 02 • Recommendations as how to improve systems Dec 02 • Implement action Plan Mar 03 | <p>The Council will have information systems, which will enable it to provide the information that stakeholders require.</p> | <p>The Council has undertaken a review of the information systems and made recommendations for improvement. Corporate Policy has also established a research forum. However the finally implementation of the recommendations is likely to be delayed due to the restructuring of the organisation as it would not be wise to implement a number of recommendations until the correct structures are in place. (B)</p> | <ul style="list-style-type: none"> ▪ Knowledge Management Report to Management Team (19th Dec 2002) (See 21.1) ▪ Establishment of research forum.(23.2) | <p>Initially scheduled for March 2003</p> <p>Could be delayed until autumn depending on the Best Value Task Force - Autumn 2003 – September 2003</p> | <p>On track to meet Sep '03 deadline</p> <p style="text-align: right;">Page 48</p> |

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Follow up dates | |
|--|---|---|--|--|---|---|
| <p>23. Ensure effective systems are in place for improvement in PPR systems for succeeding years.</p> <p><i>As a result of Audit Scotland's recommendations, we have added the following- Develop and report on local performance indicators.</i></p> | <p>Services are to develop qualitative performance indicators rather than just using the quantitative statutory indicators.</p> | <ul style="list-style-type: none"> ▪ Identification of key performance measures across all services <p>The Council could provide to customers and citizens useful and meaningful performance information relating to local concerns, or needs.</p> | <p>On schedule to achieve this as we have embarked upon this task however do not wish to complete this work until the Local Government Bill second tier guidance for PPRg and developing local indicators is available as being too proactive may result in duplicating work. Therefore, we are on track now but it is considered that the national guidance may not be available until autumn hence this would delay our completion date.</p> <p>(B)</p> | <ul style="list-style-type: none"> ▪ PMP framework ▪ Knowledge Management Report to Management Team (19th Dec 2002) (See 21.1) ▪ Establishment of research forum. (24.2) | <p>March 2003</p> <p>Initially scheduled for March 2003</p> <p>Could be delayed until autumn depending on the Best Value Task Force - Autumn 2003 – September 2003.</p> | <p>Completed</p> <p>Completed page 49</p> |

Exhibit 1: Extent of action implementation

| | |
|---|---|
| <p>A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template i.e. action complete or planned milestones met and on target.</p> | <p>C – Progress is less than intended in the original improvement action template. The council manager cannot demonstrate they have plans in place to complete the action.</p> |
| <p>B – Progress is less than intended in the original improvement action template. The council manager can demonstrate they have plans in place to complete the action.</p> | <p>D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.</p> |

APPENDIX 5

| 1. Agreed improvement action from the 2001/02 PMP audit. | 2. Agreed key milestone dates from the 2001/02 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with auditor. | Progress as at 30 th June 2003. |
|--|---|---|---|--|--|--|
| 1. Prepare Staff Mission Statement (1.1) | May 2002 | Improved awareness and knowledge of a Best Value service | The PMP team prepared draft Mission Statement, which has now been approved (A) | Mission Statement now distributed and displayed on notice boards | N/a | |
| 2 Make Annual Report prepared for members available to all staff (1.2) | April 2003 | Improved awareness and knowledge of a Best Value service | Quarterly reporting regime is up to date (B) | Quarterly reports | June 2003 | Completed, reports are now available. |
| 3. Best Value and PMP information to be provided (1.3) | August 2002 | Improved awareness and knowledge of a Best Value service | Staff were informed of results of PMP audit (A) | e-mail sent by A Gow on 7 June 2002 | N/a | |

Note:

* Graddings are explained in Exhibit 1, which is included on page 11 at the end of the IAPR.

APPENDIX 5

| 1. Agreed improvement action from the 2001/02 PMP audit. | 2. Agreed key milestone dates from the 2001/02 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with auditor. | Progress as at 30 th June 2003. |
|--|---|---|--|--|--|--|
| 4. as part of the Best Value service review a consultation exercise was carried out. A final report on the findings still needs to be prepared (2.1) | August 2002 | Improved results from future consultation exercises. | All stakeholders advised of outcome of consultation exercise (A) | e-mail sent by A Gow on 20 May 2002 | N/A | |
| 5. Future consultations need to reach a wider audience and address equalities issues (2.2) | April 2003 | Improved results from future consultation exercises. | There are no plans in the current Service plan to carry out any large consultation exercises. Third tier managers have attended the race equalities training. (Corporate issue) (D) | e-mail from J Swanson on 5 February 2003 | N/A | |

APPENDIX 5

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|--|---|--|--|--|--|--|
| 6. For future Best Value Reviews the Corporate service review guidance document will be used to ensure the 4C's are rigorously applied (3.1) | April 2003 | The review process will consider all options under the 4C's. (Challenge, Compare, Consult and Compete) | No reviews are underway at the moment. Some staff are involved in a Best Value Review of another service, therefore awareness is being raised (D) | Correspondence regarding Legal Services Review | N/A | |
| 7. The Service plan will include a programme of reviews. This issue will be driven corporately (4.1) | February 2003 | Future improvement planning will be enhanced | No reviews are underway at the moment. Corporate issue (D) | Kirsty Jackson-Stark response | August 2003 | Corporate working on this. |
| 8. Provide members with a copy of the departmental annual report (5.1) | March 2003 | Elected members will be better informed of Service delivery | Annual reports to be issued to members (B) | Quarterly reports are up to date and first annual report is due in June 2003 | June 2003 | Completed |

APPENDIX 5

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|---|---|--|---|--|--|--|
| 9. Prepare a staff based executive summary of the Service plan (6.1) | August 2002 | Staff will be more informed and involved in improving service delivery | Last year's Service plan was available on the website. A new style Service plan with increased narrative content has been prepared (B) | An executive summary is not now required as the new Service plan is more readable | June 2003 | Completed |
| 10. produce a progress report of the Performance Development Review process (7.1) | March 2003 | A clear indication of the current Performance Development Review programme will be available | Discussed and minuted at management team meetings (A) | The minutes of departmental management team reflect Performance Development Review being presented and discussed | N/A | |
| 11. Apply for SHAW Bronze Award (8.1) | February 2003 | A healthier, fitter workforce with improved morale and motivation | Pre-assessment completed in January 2003. (Outcome will be known in march 2003) (A) | Submission to SHAW | N/A | |

APPENDIX 5

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|---|---|---|---|--|--|
| 13 Develop an Asset Management Strategy. (9.1) | -- | An Asset Management Strategy will exist. | Corporate issue. (D) | None | |
| 14 Review and prepare clear and understandable financial information for managers. (10.1) | November 2002. | Clear and understandable format of presenting financial information. | New styles of financial reports are now being produced (A) | New financial reports. | -- |
| 15 Implement the document, "Delivering Best Value in Highway Maintenance" (11.1) | February 2003. | Clearer and measurable indication of Service provision. | The actions required as part of this initiative are progressing (B) | No tangible evidence at present | February 2004. |
| 16 Implement through SCOTS the Argyll & Bute initiative for roads maintenance benchmarking. 11.2 | February 2003. | Clearer and measurable indication of Service provision. | Further benchmarking survey has recently been completed and reported to the relevant SCOTS working group (A) | Email between Alan Brough (Argyll & Bute Council) and Joe Devine (SCOTS) | -- |

APPENDIX 5

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|---|---|--|---|---|--|
| 17 Establish local Pl's relevant to service objectives, that are regularly reported to senior management. (11.3) | February 2003. | Clearer and measurable indication of Service provision. | Local Pls have been included in the Quarterly Report. (A) | Quarterly Reports | -- |
| 18 Use different forms of Contract. (12.1) | November 2002. | Work undertaken using a variety of contractual procedures. | Dalbuie Bridge tender issued using the Engineering and Construction Contract. (A) | Dalbuie Bridge Instructions for Tendering. | -- |
| 19 The Public Performance Report should address equalities, and include more local performance measures for the service. (13.1) | April 2003. | Stakeholders will be able to clearly understand how Services are performing. Internal reporting and management of performance will become more effective. | Corporate issue. (D) NFA by Service. Refer to Corporate Report | None. A copy of the Annual Public Performance Report can be obtained from Kirsty Jackson Stark | -- |

APPENDIX 5

| 1. Agreed improvement action from the 2001/02 PMP audit. | 2. Agreed key milestone dates from the 2001/02 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with auditor. |
|---|---|--|---|--|--|
| 20. Increase the use of the Councillors Noticeboard to inform elected members and staff of service performance. (13.2) | May 2002. | Stakeholders will be able to clearly understand how Services are performing. Internal reporting and management of performance will become more effective. | Information has been posted on Councillors Noticeboard. (e.g. road accident trend figs.) (A) | See Public Folders and Councillor's Noticeboard. | -- |
| 21. Strive to place more information on the Council website. (13.3) | May 2002. | Stakeholders will be able to clearly understand how Services are performing. Internal reporting and management of performance will become more effective. | Information has been posted on the web site. (A) | View the web site and in particular the Transport and Streets section. – Dunoon Pier, The Avenue Inveraray, Winter Driving Advice | -- |

APPENDIX 5

| 1. Agreed improvement action from the 2001/02 PMP audit. | 2. Agreed key milestone dates from the 2001/02 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with auditor. |
|--|---|--|---|--|--|
| 22. Produce reports for members and senior management to comply with the PPRg framework. (13.4) | August 2003. | Stakeholders will be able to clearly understand how Services are performing. Internal reporting and management of performance will become more effective. | This improvement action has been reviewed and it is considered that the system of quarterly reports adequately covers this issue. (A) | -- | -- |

Exhibit 1: Extent of action implementation

| | |
|---|---|
| <p>A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template i.e. action complete or planned milestones met and on target.</p> | <p>C – Progress is less than intended in the original improvement action template. The council manager cannot demonstrate they have plans in place to complete the action.</p> |
| <p>B – Progress is less than intended in the original improvement action template. The council manager can demonstrate they have plans in place to complete the action.</p> | <p>D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.</p> |

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APPENDIX 6

BEST VALUE ACHIEVEMENT REPORT

Action Plan

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow-up work agreed with auditor. | 7. Progress as at 30/06/03 |
|--|---|--|---|--|--|---|
| 4. Initiate structure reviews | Report to departmental management team December 2001. | More efficient and effective service – review operational efficiency in offices | Review underway. Alterations about to take place in Islay and Campbeltown. (Grade B) | Amended staffing structure. | N/A | |
| 5. Recruitment of an Accountant | Appointment by July 2001. | Provide a greater degree of scrutiny of financial processes and service reviews. | Unable to recruit an accountant. Negotiated greater access to central finance accountant. (Grade C) | Departmental notes. | April 2003 | Ongoing, awaiting outcome of Council restructuring. |

Note:

* Gradings are explained in Exhibit 1, which is included on page 11 at the end of the IAPR.

APPENDIX 6

BEST VALUE ACHIEVEMENT REPORT

Action Plan

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2000/01 PMP audit. | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per Exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow-up work agreed with auditor. | 7. |
|--|---|---|--|--|--|----|
| 6. Develop closer links with Property Services | Identify appropriate personnel | To achieve more effective and prioritised use of maintenance budgets. | Estates Service incorporated into Legal Services. Council looking at basing Central Property Unit in Corporate & Legal. (Grade B) | Committee Reports | N/A | |
| 9. Seek to have GRO publish comparative data. | Initiate discussions with GRO in May 2001. Seek to achieve publication of data in 2002. | Public measure of performance allowing benchmarking and target setting. | Discussions underway. Meeting arranged with Paul Pier of General Registers Office. Error rates now being published by GRO. (Grade A) | Correspondence. | N/A | |

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|--|--|---|--|---|--|----|
| 10. Identify benchmarking partners | Initiate research to identify partners and develop this by September 2001. | A measure of performance. | Issue of benchmarking to be raised at the Registrar General's seminar in May 2002. Revised date for completion – June 2002. (Grade B) | COSLA report identified possible partners for comparison. Now seeking to establish willing partners with whom to benchmark. | N/A | |
| 11. Exploration of equality issues | Examine current position and recommend improvements as appropriate by July 2001. | To ensure openness of access | Survey of premises for disability access complete. Awaiting feedback. Raised with social inclusion partnerships – no issues to report. (Grade B) | Property survey ongoing. Has been affected by restructuring of Property Services, which has delayed implementation. | N/A | |

APPENDIX 6

BEST VALUE ACHIEVEMENT REPORT

Action Plan

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|---|---|---|---|--|--|----|
| 12. Public display of error rates and number of events recorded during the part year. | Display information in offices summer 2001 and annually thereafter. | Provision of information to the public on service standards and setting of performance targets. | Published in offices in August 2001. Aim to publish on internet website at a later date. (Grade A) | Office notice board. | N/A | |

APPENDIX 6

BEST VALUE ACHIEVEMENT REPORT

Action Plan

Exhibit 1: Extent of action implementation

| | |
|---|---|
| <p>A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template i.e. action complete or planned milestones met and on target.</p> | <p>C – Progress is less than intended in the original improvement action template. The council manager cannot demonstrate they have plans in place to complete the action.</p> |
| <p>B – Progress is less than intended in the original improvement action template. The council manager can demonstrate they have plans in place to complete the action.</p> | <p>D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.</p> |

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Improvement Action Progress Report

Council: Argyll and Bute Council

Service: Community care

Contact: Sandra Greer, Head of Service

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2002/03 PMP Audit | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with the auditor. | Progress as at 30 th June 2003. |
|---|--|--|---|---|--|---|
| 1. Need for frontline staff to have a better understanding and application of Best Value. | Staff begin to develop an understanding of Best Value and how it applies to their work | Roll out Best Value workshops | Workshops delayed due to lack of staff resource. Intention to undertake alongside Commissioning Procedural Guidance training. (B) | Quality Assurance Team – vacancies and Manager involved in Complaints, investigations by DMT. | October 2003 | Delayed by staffing problems but should be completed on time. |
| 2. Need for Community Care staff to understand the progress made in terms of the Best Value reviews so far. | Staff will understand better the Best Value approach and specifically when actions have been taken forward | Best Value achievement report will be widely disseminated. Managers will be urged to discuss it with staff at management and team meetings. It will be linked to the Best Value workshops. | Best Value Achievement Report Disseminated. (A) | Minute of Management/ staff meetings. | N/A | |

APPENDIX 7

| 1. Agreed improvement action from the 2000/01 PMP audit. | 2. Agreed key milestone dates from the 2002/03 PMP Audit | 3. Brief description of what the improvement was intended to achieve. | 4. To what extent has the improvement action been implemented? Please describe and allocate a letter A-D as per exhibit 1. | 5. Evidence that can be made available to the auditor to support the assessment. | 6. Dates for further follow up work agreed with the auditor. | Progress as at 30 th June 2003. |
|---|---|---|--|--|--|---|
| 3. Need for all Community Care staff to understand the range of initiatives happening at any time within community care | Staff will feel more comfortable about change, will feel part of developments and confident in their work with service users. | A public friendly newsletter will be prepared every 4/6 weeks and sent to every member of Community Care staff. | Newsletter – “Care Inform” - produced and distributed. (A) | Copy of newsletter and Distribution List | N/A | |
| 4. Need for more explicit link between local Service Centre plans within Best Value framework. | Service Centres to have business plans which take a Best Value approach. | Service Centres will be required to produce annual business plans and to have them reviewed. | 2 of 4 Service Centre Plans drafted 2002/03. Remaining 2 will be rolled out 2003/04. (B) | Copies of Plans available. | December 2003 | A working template being reviewed at moment, should be completed in time. |
| 5. Need to develop framework to improve links between Service Centres, Service Officers and Planners. | All sections of the department to work more co-operatively and creatively together. | Examine structures and arrangements for producing Service Plans. | This will be reviewed as part of the Council restructuring exercise. (B) | | February 2004 | Ongoing. |

APPENDIX 7

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|---|--|--|--|--|--|--|
| 6. Need for senior management to be more visible and explicit in relation to the Community Care strategy and overall approach to the service. | Staff have opportunities to meet with senior managers and understand the strategic direction of the service. | Involvement in agreeing business plans will provide opportunities for senior management to describe the strategy and approach directly to staff. | Head of Service meets quarterly with: <ul style="list-style-type: none"> • Unit Managers – Learning Disability/Residential Home Help Organisers • Occupational Therapists • Community Care Managers • Service Officers and Quality Assurance Manager • Learning Disability Redesign Days. • Managers Meetings (Health & Social Work) Development Days x 4(A) | Agenda and minutes of meetings. | N/A | |
| 7. Need to ensure that consultation exercises link directly as possible to Best Value Review recommendations. | Clear evidence in Best Value reviews of the impact of consultation. | Forthcoming Best Value Reviews to include an analysis of the link between consultation and recommendations within the report. | No Community Care Best Value reviews carried out within 2002. The Council adopted a thematic approach e.g. Knowledge Management and partnership Working Reviews were carried out. (A) | | N/A | |

APPENDIX 7

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|---|--|--|--|--|--|--|
| 8. Need to develop benchmarking of consultation costs. | At present consultation costs are absorbed within the department and not separately costed. | Implement the corporate approach to consultation exercises fully within the department. Set up benchmarking framework. | Consultation exercises costed. (A) No benchmarking undertaken. (Distinct geographical area not exactly comparable). (D) | | N/A | |
| 9. Need to have action/ implementation plans following on from Best Value reviews. | All Best Value Reviews will have an action plan with detailed targets/ timescales, and review processes will be explicitly stated. | Best Value Achievement Report summarises progress and action plans will be developed for further action from the report. | Action Plans in place. (A) | Plans available. Monitored through Best Value Implementation Group. | N/A | |
| 10. Need to have monitoring system in place to check progress of Best Value Reviews | Regular and systematic monitoring of Best Value review action plans | Quarterly monitoring at Departmental Management Team level to be in place | Housing and Social Work Best Value implementation group monitor and presentation to DMT bi-annually. (A) | | N/A | |

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|--|---|--|--|--|--|--|
| 11. Service Plan to be disseminated to all Community Care staff throughout the Department. | All staff will have an improved understanding of the direction of the service and the specific targets and outcomes expected. | Newsletters as above will help. A summary in easily readable form of the Service Plan to be provided to all staff. Local workshops to be set up routinely to discuss the Service Plan in progress. | On agenda for SWMT for wide cascading of information. Discussed at Community Care Meeting. (B) | | December 2003 (provisional) | Ongoing. |
| 12. Need for staff to understand the plan. | As above. | As above. | Discussed with Managers. Service Officers had input to them. (B) | | December 2003 (provisional) | Ongoing. |
| 13. Need to have public/staff friendly summaries of plan | As above. | As above. | Shorter, user friendly service plan in place. Revised this year. (A) | Copy of Service Plan | N/A | |

APPENDIX 7

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|---|---|--|---|--|--|--|
| 14. Need for Service Centre business plans to link to the Service Plan. | There will be Service Centre business plans flowing from the Service Plan. | As above. | Shorter, user friendly service plan in place. Revised this year. (B) | HQ Community Care PDR training objectives – collated. Supervision notes available. | LINK TO POINT 4 | |
| 15. Need to improve staff supervision and the number of staff who have an up to date PDR. | Staff will feel safer and better supported and will have an opportunity annually to review their progress and needs linked to the direction of the service. | Service Centres Managers and Heads of Service to be charged with ensuring that supervision arrangements are in place for all staff. They will also audit the number of staff receiving PDRs and increase the number of staff with a current PDR. | HQ Community Care PDRs undertaken. Supervision undertaken 4-6 weekly. Annual report on agenda for SWMT February 2003 for completion June. (B) | Supervision Notes. Diaried dates. | June 2003 | Completed |
| 16. Need to have an annually updated training plan | There will be an annual training plan linked to PDR, departmental priorities and external imperatives. | The Training Board will produce a training plan for implementation from next year. | Training Strategy and Plan produced. (A) | Strategy and Plan available. | N/A | |

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|---|--|---|---|--|--|--|
| 17. Need to have a comprehensive asset management document outlining policy and procedure as well as monitoring arrangements. | Policy and procedure in place. | Corporate working group to be set up to produce document. | (D) | | N/A | |
| 18. Need to have user friendly budget monitoring information. | Managers at all levels will easily recognise their budget position and areas of concern | Review of format of budget information given to budget Managers | Basic format determined by Council <ul style="list-style-type: none"> • Budget monitoring • Delayed Discharge process (A) | | N/A | |
| 19. Service Centre business plans need to develop local performance measurement criteria. | Service Centre business plans will have measurement criteria in place which is in addition to the departmental requirements. | Assistance will be given by Planning and Service Officers to Service Centres to develop local performance measurements. | This will be further developed 2003/04 when all four plans are finalised. (B) | | February 2004 | Ongoing. |

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|--|---|---|--|--|--|--|
| 20. Need for PDR and supervision to support continuous improvement at service delivery level. | Comprehensive and consistent use of supervision scheme already in place. | As above (15) | As above (15) Being reviewed. (B) | | June 2003 | Some minor training issues outstanding, however everything else OK |
| 21. Need to implement the Council's PMP framework in relation to performance reporting | Systematic (i.e. quarterly) reporting at all levels within the Department in relation to performance information. | The PMP framework will be introduced. | Report on Performance Indicators submitted for consideration to DMT quarterly, Service by Service. (A) | Minute and Quarterly report. | N/A | |
| 22. Need to have a range of information leaflets for the public and staff in relation to Best Value Reviews and proposed action. | Regular user friendly information. | As above. | Not achieved as yet. (B) | | February 2004 | Ongoing. |

Note:

- * Gradings are explained in Exhibit 1, which is included on page 17 at the end of the IAPR.

Exhibit 1: Extent of action implementation

| | |
|---|---|
| <p>A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template i.e. action complete or planned milestones met and on target.</p> | <p>C – Progress is less than intended in the original improvement action template. The council manager cannot demonstrate they have plans in place to complete the action.</p> |
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ARGYLL & BUTE COUNCIL
FINANCE

AUDIT COMMITTEE
1st AUGUST 2003

PROGRESS REPORT on EXTERNAL AUDIT REPORTS 2001/2002

1. SUMMARY

Internal Audit has prepared a list for all external audit management letters produced by Audit Scotland for 2001/02. (See Appendix 1). A review regarding the progress made by management in the implementation of these reports recommendations has been performed the results of which are detailed below.

2. RECOMMENDATIONS

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

3. DETAILS

3.1 The Council received an external audit management report from Audit Scotland entitled Regularity & Governance 2001/2002. As previously reported to the Audit Committee one recommendation remains outstanding. (See Appendix 2). The IT Manager, Gerry Wilson informed Internal Audit that the problem over implementation was due to our Oracle software provider's poor support. He further commented that a consultant had now been tasked to resolve the problem and that progress was being made. However, Internal Audit has requested a report from the IT Manager detailing for the committee the progress made to date, see Appendix 2.

3.2 An external report was received from Audit Scotland entitled Management Report – Regularity & Governance 2001/2002. The audit focused on a number of key systems from which 19 recommendations were agreed. Internal Audit can report that as of the 30th June 2003, 14 have been implemented. Out of the 5 remaining, 2 have implementation dates of January 2005 with the other 3 relating to the Unified Benefits System, one has an implementation date of Feb 2003. Of the 2 remaining recommendations one is in the process of being implemented whilst implementation the other has been stopped by the Council's Data Protection Officer. The Officer considers that the recommendation is in breach of the Data Protection Act. (See Appendix 3).

3.3 The 2001/02 final report for Argyll & Bute Council on the audit of Final Accounts was presented to the Council in November 2002. As at the 30th June 2003 out of 9 recommendations, 5 have been implemented. Of the remaining 4 and one has an implementation date of January 2005 and management have given comments on progress for the remaining 3 recommendations. (See Appendix 4).

3.4 An audit memorandum for Audit of Accounts 2001/02 was presented to the Council in October 2002. The memorandum addressed matters of accounting principle not previously reported in the final report. Internal Audit can report that as at the 30th June 2003 all recommendations have been implemented.

- 3.5 Audit Scotland in December 2002 produced a report entitled Performance Audit of Trading Standards. The conclusion drawn was that the Trading Standards Service has performed above the Scottish average. As at the 30th June 2003 out of 11 recommendations 2 still remain outstanding, management comments are appended. (See Appendix 5).

4. CONCLUSIONS

Implementation of recommendations will continue to be monitored by Internal Audit as part of the annual audit plan. Those remaining to be implemented will continue to be reported 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 Ian Nisbet, Internal Audit Manager (01546 604216)

Ian Nisbet
Internal Audit Manager 1Aug2003.
1augprogreport01Aug2003

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ACTION PLAN – REGULARITY & GOVERNANCE

APPENDIX 2

| Page/ Para Ref | No | Recommendation | Responsible Officer | Action | Date | Update as a 11/10/02 | Update as at 30/06/03 |
|----------------------|----|---|------------------------|---|---------------------------|---|--|
| 8/10 | 9 | A review of suppliers on the creditors system should be performed. Where appropriate, duplicate entries should be removed. <i>Priority: Medium</i> | A Allan, IT | This has been planned with IT for some considerable time. A project is now underway to remove one-off suppliers. It is presumed that the example referred related to council tax or NDR refunds where a one-time supplier reference is created each time by the interface. There is no practical alternative to this process. | 26th September 2002 | Revised date 31 st May 2003 | <p>Bala Avula, our consultant brought in to resolve this issue, has identified 2 main bugs in the Oracle Payables purge process.</p> <p>The first is a performance issue which Oracle Support have acknowledged and given Bala details of the code changes required.</p> <p>The second problem was that the Invoice Purge wouldn't remove any more than 10,000 invoices although it reported purging more than 200,000.</p> <p>Bala has fixed this himself and has successfully purged invoices, payments and inactive or 'one-off' suppliers up to the year ending March 2000 on the TEST system. We are still waiting for Oracle to release patches for these fixes but this will not hinder our progress.</p> <p>Bala will, however, document</p> |

APPENDIX

| Page/ Para Ref | No | Recommendation | Responsible Officer | Action | Date | Update as a 11/10/02 | Update as at 30/06/03 |
|----------------------|----|----------------|------------------------|--------|------|-------------------------|---|
| | | | | | | | his findings enabling IT to test these procedures next week. I am, therefore, confident that we will be starting the purge process on the production system in the week commencing Mon. 28th July. These processes are lengthy and resource hungry and will, therefore, require to be run out with normal working hours. I would expect the Supplier purge to be completed by Fri. 6th August." |

ACTION PLAN – REGULARITY & GOVERNANCE 2000/2001

| Page/Para Ref | No | Recommendation | Responsible Officer | Action | Date | Update as at 30/06/03 |
|---------------|----|--|---------------------|--|---------------|--|
| 10/8 | 4 | <p>Internal Audit</p> <p>Management should consider the appropriateness of the staffing structure of internal audit.</p> <p><i>Priority: Medium</i></p> | S. McGregor | The Council recently reviewed the structure of Internal Audit and entered into a partnership for Internal Audit with KPMG for a 3-year period. It is not proposed to review the structure prior to the end of the partnership. | January 2005 | Will be reviewed nearer the implementation date |
| 11/11 | 6 | <p>Management should consider the relative independence of internal audit and current reporting lines.</p> <p><i>Priority: Medium</i></p> | S. McGregor | <p>Internal Audit has access to the Director of Finance, the Chief Executive and the Chairman of the Audit Committee.</p> <p>However this will be reviewed at the termination of the Internal Audit partnership with KPMG</p> | January 2005 | Will be reviewed nearer the implementation date |
| 13/27 | 14 | <p>Unified Benefits System</p> <p>The Benefits System should be reconciled with the financial ledger on a monthly basis.</p> <p><i>Priority: High</i></p> | J. Preston | Agreed | November 2002 | As reported previously in May, regular reconciliation could not take place due to a lack of suitable reports being produced from the I – world system. Currently an attempt to reconcile on a regular basis is being made. |

APPENDIX 3

argyll & bute council - 2001/2001

| Page/P ara Ref | No | Recommendation | Responsible Officer | Action | Date | Update as at 30/06/03 |
|----------------------|----|---|------------------------|--|----------|--|
| 13/28 | 15 | Consideration should be given to standardising the rotation of staff duties across all area offices. <i>Priority: Medium</i> | J. Preston | Matter will be considered | Feb 2003 | Still ongoing at present but the process will be assisted when a Document Management System is introduced in September 2003. |
| 14/29 | 16 | Consideration should be given to conducting a data matching exercise for all Council employees. <i>Priority: Medium</i> | J. Preston | Assess feasibility with Corporate Personnel and Payroll. | Jan 2003 | The Data Protection Officer has advised that this exercise is not possible. |

APPENDIX 4

Action Plan

| Final Report Page/Paragraph Reference | Issue to be addressed by the Council | Action | | | Progress as at 30/06/03 |
|---|--|--|--------|--|---|
| | | Management response | Who by | When by | |
| 7/18 | Waste management PPP. The Council should ensure that the final residual value of assets reverting back to the Council at the end of the agreement is recognized from 2002/03 onwards. | The view on this is that the final residual value of the assets reverting back at the end of the PPP should be regarded as zero. We will have paid for their provision and the services involved over the past year and the next 24. At the end of the contract the physical assets will have 5 years' capacity or operational life (excepting moveable plant, which is simply to be operational at the time). That 5 years, however, is offset by the potential environmental liability, which will last possibly up to 30 years after site closure. I think it too early to second guess the asset value vs liability cost argument. | B West | 31/03/2003 for 2002/03 Annual Accounts | The position has been reviewed and due to the problems associated with estimating the asset value in 25 years time plus assessment of the historic contamination liability, it has been decided to assume no value recognition. |

| Final Report Page/Paragraph Reference | Issue to be addressed by the Council | Action | | | Progress as at 30/06/03 |
|---|---|---|------------|---|---|
| | | Management response | Who by | When by | |
| 8/24 | Non-operational assets. The Council should review all non-operational assets to assess whether these assets are contributing to the achievement of one or more of the Council's policy objectives for a service. | Finance and Estates will review the non-operational assets with a view to reclassifying those assets, which are to contribute to a service's objectives. | M Miller | 31/03/2003 for 2002/03 Annual Accounts | As a direct effect of restructuring this issue is likely to receive high priority and be completed by the end of this financial year. |
| 14/25 | Internal audit. The Council should review the current structure and reporting arrangements of Internal Audit. | The Council recently reviewed the structure and reporting arrangements of Internal Audit and entered into a partnership for Internal Audit with KPMG for a 3 year period. It is not proposed to review the structure prior to the end of the partnership. | S McGregor | January 2005 | Will be reviewed nearer the implementation date. |

| Final Report Page/Paragraph Reference | Issue to be addressed by the Council | Action | | | Progress as at 30/06/03 |
|---|--|--|-----------|--|--|
| | | Management response | Who by | When by | |
| 20/16 | <p>Performance and management and planning (PMP). The Council should continue to develop and refine its approach to asset management, commitment accounting and Public Performance Reporting.</p> | <p>The Corporate Property Unit of the Council will play a lead role in co-ordinating the work of existing staff, with input to the process from Property, Estates and possibly Finance. The Council made provision for the employment of consultants to produce an asset management strategy. This will be progressed in the light of the current "What & How Review" conclusions.</p> | N Stewart | <p>A target date will be fixed in light of the "What & How Review" conclusions</p> | <p>Ongoing at present as restructuring decisions are yet to be concluded although the position should be resolved in the next few months</p> |
| 20/16 contd | | <p>Introduction of commitment accounting and the move towards a full accruals based budget monitoring is dependent upon progress on e-procurement. This will provide a platform for these developments. Without e-procurement progress it is not possible to give target date for implementation.</p> | B West | <p>A target date will be considered once sufficient progress is made with e-procurement.</p> | <p>No change</p> |

Argyll & Bute Council
Report on the 2001/2002 Audit

Appendix 4

| Final Report Page/Paragraph Reference | Issue to be addressed by the Council | Action | | | Progress as at 30/06/03 |
|---|--|--|-----------|---------|----------------------------|
| | | Management response | Who by | When by | |
| | | The Council's PPR process is kept under constant review. The development planned for 2001-02 was to circulate a Public Performance Report to all house holds in Argyll and Bute. This was not possible since the requirement to advertise PIs in the local press had no, despite expectations, been repealed and we did not have the money to do both. | A Bovaird | | Complete |

c:\user\angelaf\dave mcc 01-02 audits\A&B council 01-02\final mbrs report_31oct02.doc

1. IMPROVEMENT AGENDA - TRADING STANDARDS

| Col.1 Description of the planned improvement action. | Col. 2 What problem is this action addressing? | Col.3 What is this improvement intended to achieve? This should be both specific and measurable. | Col.4 What are the key project milestones for this improvement? | Col.5 What information will you use to assess that intended benefits have been achieved? | Col.6 Which of the headings in PF 11 does the improvement action relate to? | Col.7 Position as at 30th June 2003. |
|---|--|---|---|---|--|--|
| Update policies for core activities. | Existing policies are dated and relate to previous structure. | Will provide current, clear guidance for officers. Will provide information for service users. | Compile list of updates required. Identify priorities. Redraft key policies. Issue new policies to officers. | Comparison of A&B policies v 'model' TS service Feedback from officers Feedback from service users. | Internal management processes. Policy impact on stakeholders. | This is still in the process of being completed. |
| 10. Details of targets for performance and results to be included within Public Protection Annual Report. | Results of performance against target is not always made public in a systematic way. | Results available to consumers and traders in readily accessible form. | Publish a Public Protection Report, detailing amongst other things targets and performance outcomes annually. | Customer feedback. | Customer service. External Relationships. | A document has been prepared and will be presented to committee in next few months by the Head of Service. |

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EXTERNAL AUDIT REPORTS 2002 – 03.

1. SUMMARY

Internal Audit has prepared a list of all external audit management letters where recommendations still remain outstanding. (See Appendix 1). Management progress regarding the implementation of these recommendations has been performed by Internal Audit the results of which are detailed below. (See Appendix 1)

2. RECOMMENDATIONS

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

3. DETAILS

- 3.1 The Council has received an external audit management report entitled Regularity & Governance 2002/2003. This report covers the nature and extent of the Council's involvement with external funding bodies. A review by Internal Audit of this reports recommendations as at the 30th June 2003 indicates that out of 4 agreed recommendations 1 has been implemented and 3 remain outstanding. The remaining recommendations have implementation dates of both September and October 2003. (See Appendix 2).
- 3.2 A Performance Audit Report – Early Retirement was received by the Council, which was a follow up to an Accounts Commission published report entitled “Bye Now, Pay Later?” This report looked at the management of early retirement in local authorities and joint boards in Scotland. Follow-up work was then undertaken across all 32 local authorities and a local report produced providing an analysis of the performance that Argyll & Bute had made in implementing the recommendations contained in the original report. Consequently, 2 recommendations were made in the local report and as at the 30th June 2003, both have been implemented by Personnel. Internal Audit will report back on any future action taken by the Council. Appendix 3 gives both executive summaries from the local and national reports.
- 3.3 A report was received by the Council from Audit Scotland covering Moving to Mainstream – The Inclusion of Pupils with Special Education Needs in Mainstream Schools. This issues raised in the report may have significant consequences for the Council. Internal Audit was advised by the Education, Head of Support Services that he would be looking into the implications of the report for the Council over the summer months. Internal Audit will report back to the audit committee on any future developments and a copy of the key points given in Appendix 4. The main points are as follows:
- New and refurbished buildings will need to meet the needs of pupils with SEN. This has implications for the Education NPDO project.
 - SEN budgets are likely to increase by 15% - 40%
 - The Council will need a strategy to respond to the requirements resulting

from legislation coming into effect in August.

4. CONCLUSIONS

Implementation of 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 Ian Nisbet, Internal Audit Manager (01546 604216)

Ian Nisbet
Internal Audit Manager 01August 2003.
1augfinalreport01aug

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APPENDIX 2

Argyll & Bute Council 2002/03

Management Report

Regularity & Governance (1)

Brian Howarth – Senior Audit Manager, Audit Scotland
7th Floor, Plaza Tower, East Kilbride, G74 1LW
T 01355 619200 F 01355 619201

ACTION PLAN Following the Public Pound APPENDIX 2

| No. | Recommendation | Responsible Officer | Action | Date | Progress as at 30/06/03 |
|-----|---|--|--|-------------------|-------------------------|
| 1 | A register or database of funding arrangements with external organisations should be created. This should include a register of members and officers who sit on the boards or committees of external organisations and the purpose of each body funded. <i>High Priority</i> | Moir Miller Corporate Accounting Manager | Will develop database. Led by finance but require input from departments. | 30 September 2003 | Ongoing |
| 2 | Quarterly budget reports from Argyll, the Isles, Loch Lomond & Trossachs Tourist Board should be reviewed by Finance staff. <i>High Priority</i> | Peter Cupples Accounting Services Manager | Request copies of quarterly budget reports from staff in DES. Carry out review of quarterly budget reports. | Immediate | Done |
| 3 | Financial and non-financial performance measures should be defined for funded organisations above a significant value. <i>Medium Priority</i> | Bruce West Head of Accounting | Will develop measures for financial and non-financial performance in conjunction with departments – led by finance but will require departmental input. | 30 September 2003 | Ongoing |
| 4 | A monitoring procedure should be prepared to ensure that available performance measures are collected and reported. <i>Medium Priority</i> | Bruce West Head of Accounting | Will develop reporting procedures following development of performance measures as outlined in recommendations – led by finance but will require departmental input. | 31 October 2003 | Ongoing |

**Performance Audit Report -
Early Retirement Follow-Up**

Argyll & Bute Council 2002/03

**Performance Audit Report -
Early Retirement Follow-Up**

Brian Howarth, Senior Audit Manager, Audit Scotland
7th Floor, Plaza Tower, East Kilbride, G74 1LW
T 01355 619200 F 01355 619201

1. Executive Summary

Introduction

- 1.1 In 1997, the Accounts Commission published a report on the management of early retirement in local authorities and joint boards in Scotland entitled “Bye Now, Pay Later?”. The report produced a number of recommendations aimed at identifying the reasons behind the high number of early retirals from Scottish local authorities. At the time there was a concern that if the trend for early retirals continued then authorities would build up pension liabilities for the future that would threaten their capacity to deliver front line services.
- 1.2 Follow-up work has been undertaken across all 32 local authorities, 11 administering authorities, and 12 police and fire joint boards looking at the management of the early retirals from the Local Government Pension Scheme (LGPS). It should be noted that the audit excludes other pension schemes that council employees may be members of.
- 1.3 This local performance audit report has been produced as part of the national follow-up and is intended to provide an analysis of the performance of Argyll & Bute Council (“the Council”) in its management of early retirements and the progress that it has made in implementing the recommendations in the original report.

National report findings

- 1.4 A national report summarising the findings across all local authorities and joint boards will be issued by Audit Scotland in summer 2003. The main findings in the national report can be summarised as follows:
- ◆ the numbers of early retirals have fallen between 1998 and 2002;
 - ◆ the use of voluntary retirals has increased over the same period;
 - ◆ ill-health retirals have decreased in total terms, however they remain around 55% of all early retirals from pension funds;
 - ◆ most audited bodies have policies in place to manage early retirals;
 - ◆ the change in the regulations that requires authorities to repay to the pension funds any strain that granting an early retiral has placed on the fund, has ensured that the full costs associated with early retirals are taken into account in the decision making process;
 - ◆ in general where decisions are made by management under devolved powers, information on the number and associated financial impact on the councils is not disclosed to members; and
 - ◆ most audited bodies consider alternatives to early retirement, including retraining and redeployment of staff.

Local findings

- 1.5 The Council experienced a reduction in the number of early retirals over the period 1998 to 2002.

- 1.6 The use of voluntary retirals has increased and represented 36% of all early retirals from the Council in 2002. There were no voluntary early retirals in the Councils between 1998 and 2000. Voluntary early retirals tend only to be granted where they do not incur a strain-on-the-fund cost to be met by the Council.
- 1.7 We found that the general trend over the period 1998 to 2002 in respect of ill-health retirals is downwards. In 1998, there were 18 ill-health retirals, whereas in 2002 the number had fallen to 10. The Council has taken steps in-line with the recommendation in the baseline report that all early retirals are initially ratified by a scheme-approved occupational therapist.
- 1.8 The Council expressed concern that they were not receiving enough technical support from Glasgow City Council, the administering authority for the Strathclyde Pension Fund.
- 1.9 In general, the Council had adequate policies and procedures for the management of early retirals and ensured that all costs associated with these retirals were taken into account in the decision making process.

Management action

- 1.10 Detailed recommendations on those areas where further improvement could be achieved have been agreed with Council officers and are included in our audit findings and are summarised in the action plan, which follows this summary.
- 1.11 The assistance and co-operation we received during the course of our audit from the Personnel department of the Council is gratefully acknowledged.

2. Action Plan

| No. | Recommendation | Responsible Officer | Action | Date | 30/06/03 |
|-----|---|---------------------|--|-------------|-----------|
| 1 | All relevant information including details of the employees final salary should be held in their case file, irrespective of the reason for early retiral. | Head of Personnel | Put in place a procedure for final salary details for ill health retirals to be held in case files. | 1 July 2003 | Completed |
| 2 | The Council should seek to obtain technical updates from the pension fund administrator. | Head of Personnel | Write to administering body to request they put in place a system for technical updates to be issued to member bodies and agreed to raised at the next pension fund forum. | 1 July 2003 | Completed |



Part 1: Introduction

1.1 The LGPS caters for local authority employees other than teachers, and also covers civilians within police forces and control rooms, and non-uniformed employees within fire brigades. Teachers, police officers and fire-fighters have separate pension arrangements.

1.2 The scheme works by each employee paying a regular contribution to a pension fund from his or her salary or wages. The employer (employing body) also makes a contribution on behalf of each employee. Contributions are invested in a fund that pays for each member's retirement costs. There are 11 funds in Scotland each administered by a nominated local authority within the fund. These authorities are known as the administering authorities. As at 31 March 2002, there were a total of 184,728 employees, 115,377 pensioners and 44,207 ex-employees entitled to deferred benefits within the LGPS in Scotland.

1.3 The scheme was set up with the expectation that employees would

remain members until they were 65 and would contribute for at least 25 years. However, there are provisions for employees to retire from the scheme early and still be entitled to immediate payment of their retirement benefits. This is known as early retirement.

1.4 Early retirement is an important management tool. It can help in managing staff levels by facilitating the departure of employees by a number of routes:

- due to efficiency or redundancy at the discretion of the employer
- due to ill-health where the employee is medically unfit to work
- at the employee's request. This requires the approval of management, and the benefits payable may be reduced dependent on their age and length of service ('rule of 85').

1.5 Details of the LGPS rules governing each early retirement route are set out in Appendix 1. These

affect local authorities in different ways as summarised in Exhibit 4.

1.6 In December 1997, the Accounts Commission for Scotland published *Bye now, pay later*. The Commission found that early retirement was widespread and costly, and made nine recommendations for employing bodies and administering authorities to improve management practices. Full details of the recommendations are set out in Appendix 2.

1.7 *Bye now, pay later* contained a commitment to monitor how the employing bodies responded to the Commission's recommendations. This report records the results of the follow-up study undertaken by Audit Scotland. The study addressed:

- how the regulations governing early retirement have changed since 1997 (Part 2)
- trends in the volume and cost of early retirement (Part 3)
- local authorities' response to the Commission's recommendations (Part 4).

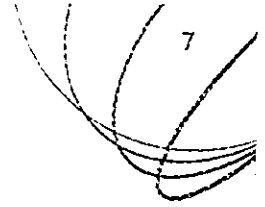


Exhibit 4

Who pays for the immediate costs of early retirement?

For efficiency, redundancy and voluntary retireals, the additional costs are borne by the employing body.

| Type of retral | Costs to employers |
|---|--|
| 1. Due to efficiency or redundancy at the discretion of the employer. | Additional strain costs relating to the enhanced costs resulting from early retirement are borne by the authority and repaid to the pension fund over a maximum of five years. |
| 2. Due to ill health where the employee is medically unfit to work. | Ill health retral costs are fully borne by the pension fund. |
| 3. Due to 'rule of 85', where an employee aged between 50 and 60 can ask to be considered for voluntary retral. The employer makes the final decision on these cases. | Costs to the pension fund for the early payment of benefits are borne by the employing authority. |

Source: Local Government Pension Scheme (Scotland) Regulations 1998 and Amendment Regulations 2000

Details of Audit Scotland's methodology are set out in Appendix 3. In addition to the national report, each local authority will receive a local report detailing the position locally. Within this report the term 'local authority' is used to cover all councils, police and fire boards. The term 'council' is taken to mean all 32 councils.

1.8 This report does not consider the wider question of the performance of local government pension funds. In common with other pension funds, local government pension funds are likely to be adversely affected by recent falls in stock market values. The impact of these changes will be considered in actuarial reviews of the pension funds, and may result in changes to contribution rates paid by local authorities to fund the scheme. The Commission's report, the *Overview of the 2001/02 local authority audits*, has identified these pension issues as an important area which auditors are expected to keep under review.



MBARGO:
not for broadcast or use
before 00:01 hours on
Thursday, 29th May 2003

PERFORMANCE AUDIT

Moving to mainstream

The inclusion of pupils with special educational needs in mainstream schools

KEY POINTS

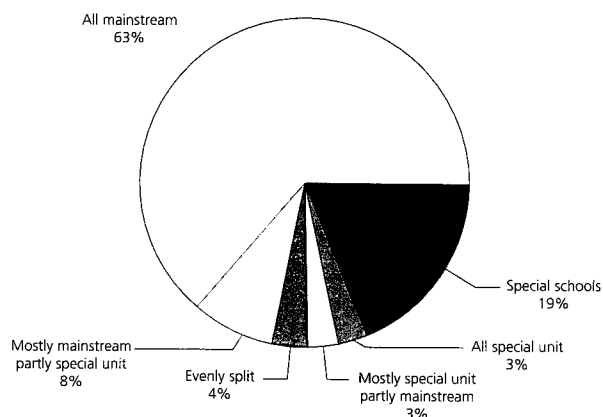


MOVING TO MAINSTREAM

The inclusion of pupils with special educational needs in mainstream schools

THE STUDY

There are currently around 44,000 pupils in Scotland with special educational needs (SEN), around 1 in 20 pupils. Nearly 2/3 go to mainstream schools, with the remainder split evenly between special schools and special units attached to mainstream schools.



Expenditure on SEN in Scotland is around £388 million. The majority (£273 million) is in education and represents around 9% of councils' total education spend. The remainder comes from social work, the NHS or is funded via specific grants from the Scottish Executive.

The statutory 'mainstreaming presumption' is likely to result in more children with SEN being educated in mainstream schools. It comes into force in August 2003.

The term SEN covers a very wide spectrum – from mild and temporary needs, to profound, permanent and multiple impairments. Because of this range, decisions on how best to meet the needs of children and young people with SEN must be made on an individual-by-individual basis. For example, while many children with SEN reap great benefits by attending a mainstream school which can support their needs effectively, others can become socially isolated.

These individual decisions have also to be made within the context of ensuring effective and affordable education for all children. Changes in legislation, with resulting cost pressures, will challenge the ability of councils, working with the NHS, to provide effectively for all their pupils' needs.

This study looks at:

- what is likely to change as a result of the mainstreaming presumption
- what the impact of these changes on costs and services might be
- how prepared councils and the NHS are for these changes
- how well the needs of pupils with SEN can currently be met in mainstream schools.

FINDINGS



MORE CHILDREN WITH SEN WILL BE EDUCATED IN MAINSTREAM IN THE FUTURE...

- between 2,000 and 5,000 more children with SEN could be educated in mainstream settings in future. The midpoint of the range would mean a 9% increase on now
- the number of pupils educated in special schools could fall from around 8,000 at present to between 3,000 and 6,000

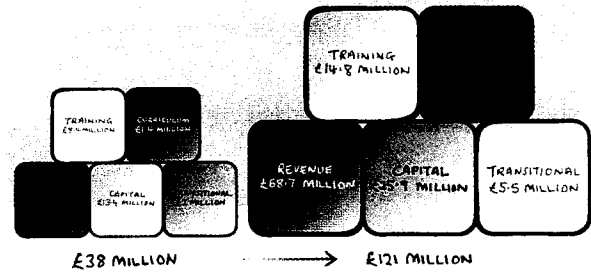
- NHS therapists will be required to cover more schools than now – this will stretch already limited resources
- the level of change required will be greater in some (mainly urban) councils than others
- new and refurbished school buildings will need to meet the needs of pupils with SEN
- the PPP projects reviewed showed there had been little consultation by client councils with staff and interest groups who knew about SEN requirements.



[REDACTED]

THIS INCREASE COULD COST COUNCILS BETWEEN £38M & £121M PER YEAR IN TOTAL . THIS WOULD INCREASE SEN EDUCATION BUDGETS BY 15-40%. IT REFLECTS...

- capital costs of making schools more accessible
- transitional costs of closing special schools (sometimes offset by capital receipts)
- revenue costs (largely staffing and training) of more pupils with SEN in mainstream schools



In addition, there will be the increased cost of providing NHS therapy services to a greater number of schools.



[REDACTED]

PLANNING FOR THESE CHANGES IS PATCHY AMONG COUNCILS AND MINIMAL AMONG HEALTH SERVICE PROVIDERS...

- few councils were able to provide evidence of either strategies to meet the requirements of mainstreaming, or of Best Value reviews of SEN.
- there was little or no planning in NHS bodies for the presumption of mainstreaming. Many managers were waiting to take the lead from councils.



[REDACTED]

PARLIAMENT NEEDS TO KNOW THE COST OF AMENDMENTS TO BILLS...

- the financial consequences of proposed legislation, including amendments introduced during consideration of a Bill, should be robustly analysed and considered by Parliament. This is essential for effective democratic scrutiny.



[REDACTED]

MAINSTREAMING PUPILS WITH SEN CAN WORK WELL WHERE...

- headteachers and other staff have the time to lead inclusion
- there is a realistic assessment of school capacity to support pupils with different needs. Often this was addressed by the school specialising in particular disabilities
- all staff are trained, and there is a strong core committed to inclusion

- the curriculum is tailored to individuals' needs
- there is good NHS support and teamwork between health, education and social work professionals
- there is good communication with parents.

In these cases, all pupils in the schools benefited from the inclusion of pupils with SEN. The best practice was found in schools that had been working on inclusion for a number of years. These developments were the result of work in individual schools, rather than of systematic, authority-wide approaches.



[REDACTED]

BUT THERE ARE PROBLEMS TO BE OVERCOME...

- mainstreaming does not work for every pupil. Most of the successful schools had found that they had not been able to meet the particular needs of one or more pupils

- therapists felt there were obstacles that limited the effectiveness of the support they could offer to pupils in schools
- published 'league table' information for some effective and inclusive schools gave the impression of lower achievement. This led to some parents sending their children to schools where they thought standards were higher.

MAIN RECOMMENDATIONS

Councils, schools and the NHS should take account of the good practice outlined in the full report as they include more pupils with SEN in mainstream schools and classes. This will require commitment from councillors, headteachers and senior management in councils, in the NHS and in other agencies.

PLANNING FOR INCLUSION OF PUPILS WITH SEN

- **Councils and NHS bodies** should jointly develop a strategy for inclusion that sets out their policy and proposed actions to meet the mainstreaming presumption. This should reflect a careful appraisal of likely effectiveness of different mainstreaming options and the costs, and should be subject to consultation with parents, headteachers and the voluntary sector. **NHS bodies** should take a proactive role with councils in the joint planning of provision for pupils with SEN.
- **Councils** should provide strategic guidance to schools on their expectations of them over the long term in respect of inclusion and mainstreaming.
- **Councils, schools and the NHS** should consider ways of improving arrangements to ease the transition of pupils particularly from the primary stage to the secondary stage, including ensuring continuity of therapy and other support services.

BUILDING CAPACITY FOR INCLUSION

- **Councils** should ensure that the needs of pupils with a wide range of SEN and disabilities are considered when designing new or refurbished schools.
- **Councils** should ensure that schools' physical environments are adapted to meet the needs of pupils with SEN, and that essential adaptations are made before pupils are admitted.
- **Councils** should ensure that senior managers in schools have sufficient time for leading and managing provision for pupils with SEN.
- **Councils** should keep under review the demands on each school and ensure that it has the capacity to function effectively without excessive demands on the headteacher and other members of staff.
- **The NHS** should review the capacity of services (in particular therapy services, child and adolescent mental health and the school nursing service), to ensure that they are able to meet the needs of pupils with SEN in the light of the presumption of mainstreaming.
- **The Scottish Executive** should examine ways of improving the co-ordination of initiatives between departments, with clear links being made between the various funding streams supporting the inclusion of pupils with SEN in mainstream schools.

STAFF DEVELOPMENT AND TRAINING

- **The Scottish Executive, councils, the teacher education institutions and the General Teaching Council–Scotland** should consider how best to ensure that all teachers are equipped to teach children with SEN.
- **Councils and schools** should ensure that there is training on inclusion for class and subject teachers and special needs auxiliaries (SNAs) and, in particular, that there is effective development and training to meet the needs of pupils with social, emotional and behavioural difficulties.
- **The NHS** should review the number of training places for therapy staff to ensure that there is an adequate number of paediatric therapy staff to meet demand.

QUALITY AND ATTAINMENT

- **The Scottish Executive and councils** should consider how to assist schools to fulfil the requirement to publish information on attainment in relation to 5-14 level, and SQA awards in ways which give full credit to the high standards of all pupils and to the school in general.
- **Councils and schools** should ensure that they have rigorous approaches to monitoring and evaluating the quality of inclusive provision for pupils with SEN.

PARLIAMENTARY CONSIDERATION OF COSTS

- **Parliament** must have a robust analysis of the potential financial consequences when they are considering Bills and amendments.
- **Parliament** should consider how best to ensure that there is full consideration of relevant costs when Bills and amendments are scrutinised.

**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
1st AUGUST 2003**

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2003 - 2004

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit during the first quarter of 2003 – 04. The objective of the report is to advise members of the progress with the annual audit plan. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The Audit Committee is asked to approve the progress made with the annual audit plan for 2003 - 04.

3. BACKGROUND

3.1 The progress report contained in Appendix 1, lists the audits scheduled for the financial year 2003 –2004 and ordered by section and level of completion.

3.2 A total of 20 core financial systems audits have been planned for this financial year, the appended report shows that the Debtor Accounts audit has been completed and a final report issued. Of the remaining 19 audits preparation work has been carried out for the General Ledger Operations audit. Remaining days from Stocktaking will be used for review of the Operational Services Department stores and new stock system.

3.3 A total of 11 non-financial audit areas have been planned for this financial year, 2 areas have been progressed, a DLO Building Services Business Plan review has been carried out and a draft report produced. Performance Indicator work has also been done for external audit. The remaining days expended was due to carry over audit work from the previous financial year.

3.4 A total of 100 days was allocated for Special Investigations and to date 86 days have been expended at the end of the 1st quarter. This leaves this part of the audit plan constrained and still facing a requirement to expend further audit days on the Councils new HR/Payroll System. This may well lead to the audit programme being affected.

3.5 Follow-up work has been covered for both internal and external audit management reports. The reviews carried out for the external audit reports are the subject of separate reports to the Audit Committee.

4. SUMMARY OF 1st QUARTER AUDIT ACTIVITIES FOR 2003 - 2004

4.1 At the commencement of the 1st quarter the section was short of an Audit Assistant and Auditor for the month of April. However, in May, Internal Audit was able to contract a temporary auditor and an Audit Assistant was started.

5. CONCLUSION

Progress is being made on audits planned for 2003 – 04.

6. IMPLICATIONS

- | | | |
|-----|----------------------|---|
| 5.1 | Policy: | Update on audit plan for 2003 – 04. |
| 5.2 | Financial: | The audit plan is based on existing budgeted provision. |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |

For further information please contact Ian Nisbet, Internal Audit Manager (01546 604216)

Ian Nisbet
Internal Audit Manager 1august2003.
1augprogreport1Aug

Assessment of audit days: 2003-2004 strategic plan

| AUDIT WORK | Last audited | Risk ranking 2003 - 04 | Original Estimated Audit Days 2003-04 | Revised Estimated Audit Days 2003-04 | Actual Audit Days 2003-04 | Out Come Days for Internal Audit |
|---|--------------|------------------------|---------------------------------------|--------------------------------------|---------------------------|----------------------------------|
| Core financial systems | | | | | | |
| Budgetary preparation & control | 2002-03 | 1 | 20 | 20 | 0 | 20 |
| Debtor Accounts | 2002-03 | 1 | 20 | 20 | 14 | 6 |
| Government grants | 2002-03 | 1 | 20 | 20 | 0 | 20 |
| Stock taking | 2002-03 | 1 | 27 | 27 | 12 | 15 |
| Cash & Income Banking | 2002-03 | 2 | 20 | 20 | 0 | 20 |
| Council Tax & NDR | 2002-03 | 2 | 30 | 30 | 4 | 27 |
| Creditor Payments | 2002-03 | 2 | 30 | 30 | 0 | 30 |
| Purchase of Equipment & Materials | 2002-03 | 2 | 20 | 20 | 0 | 20 |
| Unified Benefits System | 2002-03 | 2 | 30 | 30 | 0 | 30 |
| General Ledger Operations | 2002-03 | 2 | 20 | 20 | 3 | 17 |
| Treasury management | 2002-03 | 2 | 20 | 20 | 0 | 20 |
| Car Allowances | 2002-03 | 3 | 20 | 20 | 0 | 20 |
| Payroll | 2002-03 | 3 | 30 | 30 | 0 | 30 |
| Purchase Ordering & Certification | 2002-03 | 3 | 30 | 30 | 0 | 30 |
| Tendering Procedures | 2002-03 | 3 | 20 | 20 | 0 | 20 |
| Registration of Births, Marriages & Deaths | 2001-02 | 3 | 15 | 15 | 0 | 15 |
| Direct Transport Costs | 2000-01 | 4 | 20 | 20 | 0 | 20 |
| Payments to Voluntary Associations | 2000-01 | 4 | 20 | 20 | 0 | 20 |
| Contract Hire & Operating Leases | 2000-01 | 5 | 20 | 20 | 0 | 20 |
| Public Transport Costs | 2000-01 | 6 | 20 | 20 | 0 | 20 |
| Section Total | | | 452 | 452 | 33 | 419 |
| Non-financial systems / Best Value / VFM | | | | | | |
| DLO's | 2002-03 | 1 | 20 | 20 | 29 | -9 |
| IT/MIS Strategy & Controls | 2002-03 | 1 | 30 | 30 | 0 | 30 |
| Performance Indicators | 2002-03 | 1 | 40 | 40 | 20 | 20 |
| Corporate governance compliance/risk management | 2002-03 | 1 | 50 | 50 | 6 | 44 |
| Transportation & Property | 2002-03 | 2, 8 | 20 | 20 | 0 | 20 |
| Best Value Reviews | 2002-03 | 3 | 30 | 30 | 1 | 29 |
| Performance Indicators (PMP) | 2002-03 | 3 | 33 | 33 | 0 | 33 |
| Education | 2002-03 | 3, 4, 11 | 40 | 40 | 10 | 30 |
| Development & Environmental Services | 2002-03 | 3, 6 | 20 | 20 | 0 | 20 |
| DSO's | 2002-03 | 4, 7, 9 | 35 | 35 | 10 | 25 |
| Housing & Social Work | 2002-03 | 9, 10 | 30 | 30 | 0 | 30 |
| Section Total | | | 348 | 348 | 76 | 272 |
| Actual Direct Audit Time | | | 800 | 800 | 108 | 692 |
| Special investigations contingency | | | | | | |
| Fleet Management | - | - | 100 | 100 | 5 | 14 |
| Petty Cash - Helensburgh | | | | | 5 | |
| HR Payroll | | | | | 28 | |
| TPS - Oban | | | | | 39 | |
| Argyll College | | | | | 9 | |
| Section Total | | | 100 | 100 | 86 | 14 |
| Other Areas | | | | | | |
| Follow-up external audit management letter | - | - | 20 | 20 | 4 | 16 |
| Risk assessment, strategic plan, annual plans | - | - | 20 | 20 | 3 | 17 |
| Internal audit follow up Section Total | - | - | 40 | 40 | 10 | 30 |
| Section Total | | | 80 | 80 | 17 | 63 |
| TOTAL | | | | | | |
| | | | 980 | 980 | 211 | 769 |

1 Appendix 6
1.1 Internal audit resource

| | 260 | | 195 | | 132 | | 246 | | 235 | | 140 | | 1468 | | | | | | | | | | | |
|---|---------------|-----------------|---------------|-----------------|------------|-----------------|------------------------|-----------------|-----------------|-----------------|------|-----------------|-------|-----------------|-----|-----|----|-----|----|----|----|-----|-----|-----|
| | Audit Manager | To Date Balance | Audit Manager | To Date Balance | Accountant | To Date Balance | Senior audit assistant | To Date Balance | Audit assistant | To Date Balance | KPMG | To Date Balance | Total | To Date Balance | | | | | | | | | | |
| Number of days in full year | | | | | | | | | | | | | | | | | | | | | | | | |
| Less: Public Holidays | 13 | 5 | 8 | 13 | 13 | 0 | 13 | 5 | 8 | 13 | 3 | 10 | 0 | 78 | | | | | | | | | | |
| Annual Leave | 25 | 10 | 28 | 15 | 0 | 0 | 0 | 38 | 21 | 20 | 9 | 11 | 0 | 126 | | | | | | | | | | |
| Sickness Leave | 5 | 0 | 5 | 5 | 0 | 0 | 0 | 5 | 1 | 5 | 0 | 5 | 0 | 25 | | | | | | | | | | |
| Working days available | 217 | 15 | 214 | 7 | 162 | 0 | 190 | 27 | 197 | 12 | 140 | 0 | 1239 | | | | | | | | | | | |
| | 60 | 7 | 53 | 16 | 34 | - | - | 0 | - | - | 32 | - | 142 | 23 | | | | | | | | | | |
| IA management | 50 | 6 | 44 | 30 | 24 | - | 0 | 1 | -1 | 0 | - | - | 80 | 14 | | | | | | | | | | |
| Planning and reporting | 2 | 1 | 1 | 2 | 1 | 2 | 2 | 2 | 2 | 2 | 0 | 35 | 47 | 5 | | | | | | | | | | |
| Training | 5 | 0 | 5 | 0 | 5 | 3 | 0 | 3 | 0 | 3 | 0 | 3 | 22 | 0 | | | | | | | | | | |
| Other development | 15 | 0 | 15 | 0 | 15 | 2 | 0 | 2 | 2 | 2 | 0 | 8 | 46 | 0 | | | | | | | | | | |
| Seminars and audit meetings | 10 | 3 | 7 | 10 | 10 | 2 | 0 | 2 | 0 | 0 | 40 | 64 | 61 | 61 | | | | | | | | | | |
| Advisory | 142 | 17 | 125 | 112 | 89 | 9 | 7 | 2 | 5 | 7 | 115 | 0 | 401 | 45 | | | | | | | | | | |
| Total for Audit Support Work | | | | | | | | | | | | | | 356 | | | | | | | | | | |
| Time available for Direct Audit Work | 75 | | 102 | | 153 | | 110 | | 183 | | 190 | | 25 | 838 | | | | | | | | | | |
| | 5 | 26 | -21 | 70 | 47 | 23 | 133 | 2 | 131 | 25 | 0 | 25 | 168 | 46 | 122 | 190 | 47 | 143 | | | | | | |
| Core financial systems / regularity | 15 | 0 | 15 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | | | | |
| Computer Audit | 30 | 7 | 23 | 15 | 6 | 9 | 15 | 10 | 5 | 85 | 26 | 59 | 10 | 11 | -1 | 7 | -7 | 15 | | | | | | |
| Operational / Value for Money / Best Value | 20 | 0 | 20 | 7 | 7 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | |
| Fraud Contingencies | 5 | 19 | -14 | 10 | 2 | 8 | 5 | 8 | -3 | 0 | 0 | 0 | 5 | 0 | 5 | | | | | | | | | |
| Other Contingencies | | | | | | | | | | | | | | | | | | | | | | | | |
| Total for Direct Audit Work | 75 | 52 | 23 | 102 | 55 | 47 | 153 | 20 | 133 | 110 | 26 | 84 | 183 | 57 | 126 | 190 | 54 | 136 | 25 | 15 | 10 | 838 | 279 | 559 |

Audit Support Work:-

Total for Audit Support Work

Time available for Direct Audit Work

Direct Audit Work:-

Total for Direct Audit Work