

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart



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16 September 2003

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **WEDNESDAY, 21 MARCH 2001** at **11:00 AM**, which you are requested to attend.

Nigel Stewart
Director of Corporate Services

BUSINESS

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST (IF ANY)**
- 3. MINUTES**
Audit Committee 29 November 2000 (PAGES 1 - 2)
- 4. APPOINTMENT OF VICE-CHAIRMAN**
- 5. TERMS OF REFERENCE**
(For discussion/noting) (PAGES 3 - 4)
- 6. INTERNAL AUDIT**
 - (1) Year 2000/01
 - (2) Year 2001/02Reports by Chief Internal Auditor (PAGES 5 - 14)
- 7. EXTERNAL AUDIT**
 - (1) Presentation by PricewaterhouseCoopers
 - (2) Client Service Plan 2000/01Report by PricewaterhouseCoopers (PAGES 15 - 50)

- 8. EXTERNAL AUDIT MANAGEMENT LETTER UPDATE 1999/2000 PROGRESS REPORT**
Report by Chief Internal Auditor (PAGES 51 - 54)
- 9. REVIEW OF INTERNAL AUDIT SECTION**
Report by Director of Finance (PAGES 55 - 56)

AUDIT COMMITTEE

Vincent Bradbury (Vice-Chairman)	Councillor Ronald Kinloch
Graham Michie	Councillor Len Scoullar
Councillor John Stirling	Councillor Isobel Strong
Councillor Dick Walsh	

Contact: Sandra McGlynn

Tel. No. 01546 604401

ARGYLL AND BUTE COUNCIL

MINUTES of MEETING of the AUDIT COMMITTEE held in the MEMBER'S ROOM, KILMORY, LOCHGILPHEAD on WEDNESDAY, 29 NOVEMBER 2000

Present: Councillor John Stirling (Chair)

Councillor Ronald Kinloch Councillor Isobel Strong
Councillor Donald McIntosh Councillor Dick Walsh

Attending: Nigel Stewart, Director of Corporate & Legal Services

1. MINUTES

The Committee approved the Minutes of the Audit Committee of 13 November 2000 as a correct record.

The Committee resolved in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 1 respectively Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

2. AUDIT COMMITTEE: APPOINTMENT OF INDEPENDENT PERSONS

The Committee interviewed Mr V Bradbury, Dr. A MacBeth, Mr G Michie and Mr E Milligan to discuss their interest in being appointed as an independent member of the Committee, and the skills and attributes which they might bring to the Committee.

Decision

1. The Committee agreed to appoint, Mr V Bradbury and Mr G Michie to be the independent members of the Audit Committee
2. The Committee agreed to recommend to the Council that the period of appointment should be to the next ordinary election of councillors, subject to the Council reserving the right to terminate the appointment in certain circumstances at an earlier date.

(Reference: Copies of applications received and terms of reference previously submitted).

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ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE****TERMS OF REFERENCE****GENERAL FUNCTIONS**

1. To promote internal controls, financial and otherwise, in order to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.
2. To report annually to the Council on the internal control environment.
3. To develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability.
4. To promote good financial practice within the Council.
5. To agree the internal audit strategy and plan.
6. To receive internal audit progress reports.
7. To oversee and review action taken on internal audit recommendations.
8. To review the internal audit annual plan.
9. To be consulted on the external audit strategy and plan.
10. To review all reports from the Council's External Auditors.
11. To oversee and review action on external audit recommendations.
12. Without prejudice to the role of the Standards Committee to deal with matters included in their terms of reference, in particular matters arising from the investigation of disclosures under the Council's Public Interest Disclosure Policy, to provide assurance on the Council's compliance with Financial and Security Regulations, Contract Standing Orders and Accounting Codes of Practice.
13. To review the Council's financial performance as contained in the Annual Report and Accounts.

14. To examine the activities and accounts of the Council in order to ensure (a) that the expenditure approved by the Council has been incurred for the purposes intended; (b) that services are being provided efficiently and effectively; and (c) that value for money is being obtained, all in accordance with Best Value requirements.

MEMBERSHIP

The membership of the Audit Committee will be –

5 elected members of the Council none of whom shall hold an executive position in the Council, and two independent Members who are not Members of the Council.

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PROGRESS REPORT ON 2000/2001 AUDIT PLAN

1. SUMMARY

An interim progress report covering audits performed by Internal Audit during 2000 – 01 is appended. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The contents of this report are noted.

3. DETAILS

3.1 The report appended lists the audits which were scheduled for the financial year 2000 – 01. The objective of the report is to advise members of the progress with each audit. The reference, the audit name, start date, planned/actual completion date, percentage completion, auditor and comments are given for each audit.

3.2 The audits are categorised as follows:

- Core Financial Systems Audits
- Departmental Audits
- Special Investigations and
- External Audit works for PricewaterhouseCoopers (PwC).

3.3 A total of 24 audits were planned. Out of this total 3 have been deferred. Of the remaining audits:

- 4 are complete
- 6 are at draft stage
- 3 are at fieldwork stage
- 3 are at planning stage and
- 5 are still to commence.

3.4 A total of 13 special investigations have been carried out to date.

3.5 As a result of staff shortages and illness arrangements have been made with PwC to work in partnership with Internal Audit to cover 9 audits this will help to ensure compliance with the audit plan 2000 – 01.

4. CONCLUSIONS

Progress is being made on audits planned for 2000 – 01. It is envisaged that with 3 exceptions the planned audits will be completed by the 31st March 2001.

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 26 February 2001.
26febprogreport21mar

REF.	AUDITS	AUDIT STARTED	AUDIT COMPLETE	AUDIT DUE COMPLETION DATE	% COMPLETE	OUT TURN	Auditor	COMMENTS
CORE AUDITS								
Core	Purchase Ordering	08-Jan-01	09-Feb-01		80	-10	Internal Audit Section & PwC	DRAFT Report issued 8th February 2001. Management comments by 23rd February 2001
Core	Payroll	26-Jan-01		02-Mar-01	30	0	Internal Audit Section & PwC	FIELD WORK Stage. DRAFT report scheduled for 7th March 2001
Core	Sundry Debtors	19-Feb-00		09-Mar-01	10		PwC	PLANNING Stage. DRAFT report scheduled for 16th March 2001
Core	Tendering Procedures	26-Feb-01		09-Mar-01	0		PwC	
Core	Council Tax	05-Mar-01		16-Mar-01	0		Internal Audit Section & PwC	
EXTERNAL AUDIT WORK								
External	Year End stock DES & TPS	28-Mar-00	05-May-00		100		Internal Audit Section	FINAL Report implemented. Signed off by PwC.
External	Performance Indicators	20-Jun-00	29-Sep-00		100	-57	Internal Audit Section	FINAL Report implemented. Signed off by PwC.
External	Housing Benefit Grant Claim	10-Oct-00	09-Feb-01		90	-99	Internal Audit Section & PwC	PwC reviewing internal audit report.
DEPARTMENTAL AUDITS								
CLS03	Council House Sales	25-Apr-00	31-Jul-00		100	-3	Internal Audit Section	FINAL Report agreed and action plan completed.
ED06	DMR Unit	26-Aug-00	16-Oct-00		100	0	Internal Audit Section	FINAL Report agreed and action plan completed.
DES28	Planning Application Fees	13-Dec-00	09-Feb-01		90		Internal Audit Section	DRAFT Report issued 14th February 2001 management comments due by 26th February 2001.
DES19	Stock of Material and Control	08-Jan-01	09-Feb-01		90		Internal Audit Section	DRAFT Report issued 14th February 2001 management comments due by 26th February 2001.
FD18	Housing & Car Loans	08-Jan-01	09-Feb-01		90	-15	Internal Audit Section	DRAFT Report issued 14th February 2001 management comments due by 26th February 2001.
FD05	Bank Reconciliation's	26-Jan-01	09-Feb-00		80		PwC	DRAFT Report Stage. DRAFT report scheduled for 7th March 2001.
FD20	Travel and Subsistence	26-Jan-01		28-Mar-01	50		Internal Audit Section	FIELD WORK Stage. DRAFT report scheduled for 28th March 2001.
HSW02	Housing Grants	12-Feb-01		28-Mar-01	25		Internal Audit Section	PLANNING Stage. DRAFT report scheduled for 28th March 2001.
TPS12	Reports and Information	12-Feb-01		28-Mar-01	25		Internal Audit Section	PLANNING Stage. DRAFT report scheduled for 28th March 2001.
HSW24	Social Work Specific Grant Applications	19-Feb-01		05-Mar-01	50		Internal Audit Section	FIELD WORK Stage. DRAFT report scheduled for 5th March 2001.
ED07	DMR Unit Budgeting	26-Feb-01		09-Mar-01	0		PwC	
TPS32	Scottish Office recharging	26-Feb-01		09-Mar-01	0		PwC	
HSW25	Social Work Specific Grant Income	05-Mar-01		14-Mar-01	0		Internal Audit Section	

REF	AUDITS	AUDIT STARTED	AUDIT COMPLETE	% COMPLETE	OUT TURN	Auditor	COMMENTS
SPECIAL INVESTIGATIONS							
AS102	Revenues Investigation – Finance	03-Apr-00	14-Apr-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS121	Building Materials – TPS Helensburgh	17-Apr-00	10-May-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS122	Roads Materials - Oban TPS	17-May-00	12-Jul-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS123	Building Materials – TPS Helensburgh	17-Apr-00	10-May-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS124	DES Expenses Claim Review	17-Jun-00	13-Jul-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS125	DES Filters Enquiry	23-Jul-00	11-Aug-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS126	Finance -Payroll	14-Aug-00	18-Aug-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS127	Final Out Turn Budget Monitoring TPS	06-Sep-00	29-Sep-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS118	Kinkyre Community Education Centre	03-Oct-00	23-Jan-01	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS129	Dunoon Swimming Pool	14-Oct-00	20-Dec-00	100		Internal Audit Section	FINAL Report agreed and action plan completed.
AS128	IT - Server Enquiry	11-Dec-00	25-Feb-01	90		Deloitte & Touche	DRAFT Report received and meeting arranged to agree recommendation/action plan week ending 2nd March 2001.
AS180	Registrars Enquiry	05-Feb-01	09-Mar-01	50		Internal Audit Section	FIELD WORK Stage. DRAFT report scheduled for 9th March 2001.
AS181	Primary School – Lochnell	07-Feb-00	10-Mar-01	85		Internal Audit Section	DRAFT Report stage. DRAFT report scheduled for 9th March 2001.
CANCELLED AUDITS							
TPS20	Cost Monitoring and Control Road's Costing System	N/A	N/A	0	0	N/A	PwC external audit reviewed this area for 9/9/2000. Therefore reduced need for audit.
IT09	Software Development (Systems Life Cycle)	N/A	N/A	0	0	N/A	Abandoned due to Industrial Action and deferred until 2001 - 2002.
CLS02	Collection of Fines and Fixed Penalties. Banking	N/A	N/A	0	0	N/A	Abandoned due to Corporate & Legal staff busy dealing with Faslane Arrests. Audit deferred to 20001 - 2002.

INTERNAL AUDIT PLAN 2001/2002

1. SUMMARY

To submit to members of the Audit Committee an annual plan of proposed audit activity for the financial year 2001 - 02.

2. RECOMMENDATIONS

2.1 The Committee is asked to approve the annual audit plan for 2001 - 02.

3. BACKGROUND

3.1 The Council has an overall responsibility for ensuring that systems of internal control are established and maintained to give reasonable assurance that the assets are safeguarded, waste or inefficiency avoided and reliable financial information produced and that best value is being sought. Such a system of internal control can provide only reasonable and not absolute assurance, against loss.

3.2 The Internal Audit section is an autonomous unit within the Finance Department. It performs independent audits of Council departmental operations in order to provide assurance to both management and members on internal control. The remit of internal audit is set out clearly in the Auditing Practice Board (APB), in its Auditing Guideline, Guidance for Internal Auditors, as "an independent appraisal function established by the management of the organisation for the review of internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources". The Chartered Institute of Public Financial Accountants (CIPFA) supports these audit guidelines.

3.3 This report introduces a new plan for 2001 - 02 which explains how internal audit discharges its responsibility for 2001 - 02

4. SUMMARY OF AUDIT ACTIVITIES FOR 2001 - 2002

4.1 The work performed by Internal Audit has been based to date on a rolling 3 year audit plan, which was drawn up 3 years ago through consultation with department Directors and their Heads of Service.

4.2 The 2001-02 audit plan is based on 7 members of staff. It provides for staff holidays, sick leave and excludes administration and training. Appendix 1 details the calculation of audit resources.

- 4.3 Training in this year's plan will receive a high profile with a total of 5 weeks for each member of staff being set aside. A need for specific training in Systems Audit techniques has been identified. We are consulting with training providers and other Local Authorities to arrange a joint Systems Audit training programme. An assessment of other training needs in terms of practical audit techniques and skills and staff development is being made and a plan will be prepared to secure and deliver the required training.
- 4.4 The total of 1087 direct chargeable audit days is made up of four elements:
- 450 days for Departmental Audits
 - 213 days for Core Financial Systems Audits and
 - 212 days for External Audit Related work.
 - 120 days for Contingency/Special Investigations,
 - 50 days for Follow up Audit Reviews and
 - 42 days for Risk Assessment.
- Appendix 2 details the proposed audits for 2001 – 02.
- 4.5 The 450 audit days allocated to departmental audits are spread over each department. The identification of such audits has been based on a provisional 3-year audit plan prepared in 1998, together with the knowledge of internal audit staff. The audits selected have also been discussed with Heads of Service in the departments concerned.
- 4.6 A total of 14 Core Financial Systems Audit areas have been identified by the Accounts Commission, Internal Audit propose to review these on a three year rolling programme. The audit plan for 2000 – 01 contained five and a further five have been identified for 2001 – 02.
- 4.7 Work for the Councils external auditors is performed by Internal Audit and covers year-end stock taking, audit of both government performance indicators for Education, Development & Environmental Services and Housing & Social Work departments and Housing Benefit Grant Claim. All of this work is passed to external audit for sign off and a total of 212 days has been allocated within the 2001 – 02 plan for this type of work.
- 4.8 A total of 120 days has been set aside for Contingency/Special Investigation in 2001 - 02. The actual days incurred to date are just over 175 days.
- 4.9 Six months after a final audit report has been issued with a management agreed implementation plan; Internal Audit performs a follow up review. This is a check to ensure that implementation has taken place. Checks are also performed with regard to implementation of the annual recommendations made by the Councils external auditors. Fifty days has been allocated for this task in 2001 - 02.
- 4.10 A total of 42 days have been set aside for risk assessment. Risk assessment is a mechanism to minimise overall audit risk. In principal terms this means incorporating control objectives, expected controls to meet those objectives and the risk should those controls not be in place. Two mechanisms will be used to determine and shape future annual audit plans, Audit Needs Assessment and the use of a Risk Analysis Model. The former is to be developed in partnership with the Councils external auditors in March 2001 and an exercise will be carried out to evaluate the latter by Internal Audit in the new financial year.

4. CONCLUSION

An annual audit plan has been prepared for 2001 – 02 and is submitted to the Audit Committee for approval.

5. IMPLICATIONS

- | | | |
|-----|----------------------|---|
| 5.1 | Policy: | Sets out audit plan for 2001 – 02. |
| 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 26 February 2001.
26febprogreport21mar

AUDIT RESOURCES

Number of Staff Working Days Chargeable Days

Internal Audit Manager	1	210	80
Accountant	1	210	142
Senior Audit Assistant	3	630	525
Clerical Assistant	1	210	170
Clerical Assistant	1	210	170
	7	1470	1087

AUDIT ALLOCATION		Audit Days		Total Audit Days
External	Stock Taking, Monitoring.	92		
	Housing Benefit Grant Claim	40		
	Performance Indicators	80		
SUB				212
Core Financial Systems	Budgetary Control	40		
	Capital Contracts	53		
	Creditors Payments	40		
	Housing & Council Tax Benefits	40		
	General Ledger Operations	40		
SUB				213
Departmental Audits	CHIEF EXECUTIVE			
	Car Leasing	30	30	
	CONTRACT AUDIT			
	Contract Vetting	20		
	Contractor conditions Tendering etc	20	40	
	CORPORATE & LEGAL			
	Collection of Fines & Fixed Penalties	20	20	
	EDUCATION			
	Com.Education	30		
	School Meals Income	30	60	
	DEVELOPMENT & ENVIRONMENTAL SERVICES			
	Waste Disposal (Income)	20		
	Refuse Collection (income)	20	40	
	FINANCE			
	Fixed Asset Management	30		
	Loans Fund	30	60	
	HOUSING & SOCIAL WORK			
	Elderly Accommodation	30		
	Home Care (Income)	30		
	Unified Benefits System - Housing	30	90	
	INFORMATION TECHNOLOGY			
	Review of Adhoc Systems in Front Line Depts.	20		
	Disaster Recovery Procedures Proposal	20	40	
	TRANSPORTATION & PROPERTY SERVICES			
	DLO Roads Job Planning & Manpower Alloc.	20		
	Parking, Piers & Ferry Income	20		
	Stock Holding v Direct Purchase	30	70	
SUB				450
Contingency/Investigations		120		
Follow Up Review		50		
Risk Assessment		42		
SUB				212
TOTAL AUDIT DAYS				1087

ARGYLL & BUTE COUNCIL

2000/2001 AUDIT

CLIENT SERVICE PLAN

FEBRUARY 2001

PRICEWATERHOUSECOOPERS 

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**INTRODUCTION
AND
OVERVIEW**

INTRODUCTION AND OVERVIEW

Our Client Service Plan is an annual document which outlines our responsibilities as the external auditors of Argyll & Bute Council (the "Authority") and how we plan to discharge them.

Every Local Authority body is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the directors and members of the Authority, and is discharged by managing the Authority's affairs in order to:

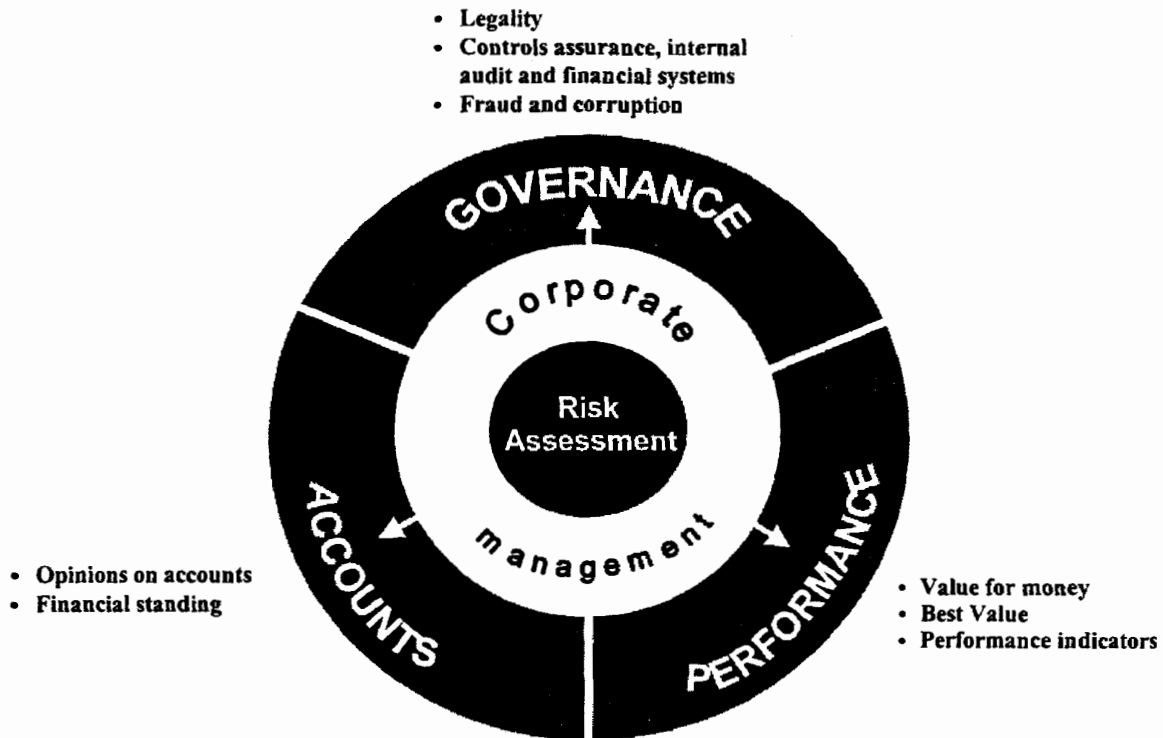
- secure economic, efficient and effective use of resources;
- maintain adequate accounting records;
- prepare the Statements of Accounts ("Accounts");
- safeguard its assets; and
- take reasonable steps for the prevention and detection of fraud or other irregularities.

Our principal objective is to carry out an audit in accordance with Audit Scotland's Code of Audit Practice. We will provide an appropriate mix of experienced and specialist staff and work to the highest professional standards. We also aim to perform our work in a way which is locally tailored to respond to the Authority's own objectives.

Appendix A summarises how we intend to meet the Code of Audit Practice requirements in 2000/2001. The remainder of this report expands upon those issues and we have classified our audit responsibilities under three headings:

- Accounts;
- Governance; and
- Performance.

The following diagram demonstrates how our existing responsibilities fit the model for public sector audit outlined in the Code of Audit Practice.



Our audit will focus on an overall assessment of risk affecting the Authority. Based on this we determine where our audit resources need to be directed in order to ensure maximum effectiveness.

We have set out what we currently consider to be main issues and challenges being faced by the Authority in the sections relating to your priorities and current issues.

CURRENT ISSUES AFFECTING OUR AUDIT APPROACH

To plan our audit, we need to understand how developments in legislation and technical issues impact the Authority (external factors) and equally to understand any changes which have been initiated by, or which are specific to, the Authority (internal factors). The latter were identified in the previous section and will be considered as part of our review of financial systems and opinion work. The key external factors are notified to us by Audit Scotland throughout the year.

The following table shows factors currently affecting the Authority and the impact on our audit for 2000/2001:

Development	Main Issues	Audit Work
Changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2000 (the SORP)	The 2000 SORP was issued in May 2000. The revised notes for guidance are not yet available.	<p>Given the requirement to meet the Authority's internal deadlines, we will seek to incorporate information required for any additional disclosures or accounting requirements in our audit input schedule to be issued in February 2001. Where possible we will agree to review changes in advance of the final audit.</p> <p>Should guidance change between agreeing our audit input schedule and the final audit we would expect the Authority to be proactive in providing appropriate supporting schedules.</p>
Accounting for Pension Costs	The Authority is required to make an additional disclosure, as a note to the Consolidated Revenue Account, detailing the capitalised costs of ex-gratia and discretionary pension payments.	We will review the draft financial statements to determine if the Authority has made the required disclosures.

Development	Main Issues	Audit Work
<p>The introduction of FRS 15 on "Measurement of tangible fixed assets"</p>	<p>The impact of this will be that all buildings must be depreciated. Therefore the current practice of regular repairs will no longer remove the requirement for depreciation.</p> <p>The standard should also allow more flexibility in determining asset lives and the Authority may need to consider breaking its assets down into components so that realistic asset lives can be allocated to these elements.</p> <p>For any new assets, only directly attributable costs incurred in bringing an asset into working condition for its intended use can be capitalised, i.e. the Authority should not add in any general overheads.</p>	<p>We will review the Authority's accounting policies for the depreciation of Assets.</p> <p>We will consider through review and discussion with management any issues arising from the potential additional disclosure requirements.</p> <p>We will review the Council's procedures for capital expenditure to assess whether they are sufficient to identify only directly attributable costs.</p>
<p>Consolidation of Housing Revenue Account (HRA) items</p>	<p>Capital Funded from Current Revenue (CFCR) and transfers to the Repairs and Renewals fund (R&R fund) are disclosed in the appropriations section of the Consolidated Revenue Account (CRA). However where these relate to the HRA they should also be shown in the HRA statement.</p> <p>For CRA disclosure, HRA related CFCR and the R&R fund transfers should be disclosed in the appropriations section of the CRA, with only HRA income and expenditure included in the "net cost of services."</p>	<p>We will consider through review and discussion with management any issues arising from the additional disclosure requirements.</p>

Development	Main Issues	Audit Work
The completion of the waste management PPP project	The completion of the PPP will ensure that the Council does not require to disclose a potential liability on its balance sheet in respect of the costs required to bring the landfill sites up to current environmental standards.	We will consider through review and discussion with management any issues arising from the PPP.

Other issues may be notified to us by Audit Scotland through their Technical Bulletins and we will discuss the impact of these with the Authority as and when they are produced.

AUDIT TIMETABLE AND PRODUCTS

During the audit process, we will liaise closely with senior management, especially members of the Finance Department. We will provide you with a number of audit products, as documented below.

The following chart timetables when we propose to discharge our regularity audit responsibilities and when key documents will be provided to the Authority:

Regularity Audit Timetable												
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	July	Aug	Sep
Planning												
Preliminary plan	■											
Preliminary analytics	■	■										
Systems assurance	■	■	■									
Update of prior year systems notes			■									
Assessment of inherent risks	■	■	■									
Joint planning with Internal Audit	■	■	■									
Planning meeting with Management	■	■	■									
Audit Plan finalised and issued				■								
Interim												
Systems reviews and control testing				■								
Review of internal audit work				■								
Fraud and Corruption				■								
Legality				■								
Interim management letter					■							
Final												
Annual accounts work										■	■	■
Audit opinion and certificates										■	■	■
Final report to Board Members												■

Our VFM and Best Value responsibilities will be planned and agreed separately.

This timetable is designed to be similar to 1999/2000 as it is our intention, and that of the Council, to meet Audit Scotland's 30 September 2001 reporting deadline.

The achievement of the above timetable is dependent on us receiving appropriate input from the Authority's management. Any failure to meet the timetable for detailed deliverables or issues of error or quality could place meeting the targets at risk. A detailed client input schedule and associated timing will be agreed with management in February 2001.

In summary, our audit outputs will include:

- **Client Service Plan and Interim Management Letters.**
- **Follow up** of prior year recommendations.
- **An opinion** on the Statement of Accounts.
- Reports to officers and members on the results of **the Value for Money studies** performed.
- A **Final Report to Members** addressed to the Council which will give a summary of audit activities and details of the significant matters which have arisen.

The following timetable must be followed to ensure accounts are certified by 30 September 2001:

Commencement of final audit	- 2 July 2001
Accounts to be available with supporting information	- 30 June 2001
Clearance of Accounts with Director of Finance and Final Report to Members with the Chief Executive/ Director of Finance	- 28 September 2001

AUDIT BUDGET

Audit Scotland has advised us that the indicative input for the audit should be 485 –593 days (based on 7 hour days). In our original submission to Audit Scotland we agreed an input of 539 days. However, given the limited reliance that can be placed upon internal audit we have agreed an additional 245 days with Audit Scotland to enable use to undertake additional systems work.

Adherence to this budget is dependent upon the following:

- the Authority meeting the timetable for deliverables which we will agree with you in writing, in advance of our audit of the financial statements;
- that we are able to place reliance, as planned, upon the work of internal audit as augmented above;
- that we are able to draw audit comfort from the controls within the core financial systems, as planned;
- the Authority being able to provide the necessary information within the agreed timescale for us to complete our programme of value for money work; and
- no change in the scope of the work required on controls assurance.

If, for any reason, we are unable to complete our audit as planned above, we will seek a variation to the agreed inputs from the Authority and Audit Scotland. This would be discussed in advance with the officers of the Authority.

For our part, we will undertake to ensure that we deliver the audit products in accordance with the agreed timetable.

ACCOUNTS

OPINIONS ON ACCOUNTS

It is the responsibility of the Authority and its officers to prepare the Accounts in compliance with statutory and other relevant requirements. We are responsible for providing an opinion on the Accounts.

In forming an opinion on your Accounts we break down the scope of our audit into its component parts, and assess the inherent and control risks of each component. We then perform audit work to address the risks identified in order to obtain evidence that the Accounts are not materially mis-stated. The evidence we gather is from both financial systems which are fundamental to the Accounts and significant items in the Accounts.

Our audit knowledge is cumulative, and we are able to rely on systems work performed in previous years where controls and key personnel have not changed. We also seek to place reliance on internal audit, both in terms of scope and findings, although we need to perform a detailed review of their work and some re-performance testing to ensure that reliance is soundly based.

The following table summarises our expected audit approach for individual components. It can be seen that in accordance with SAS 500 we will be maximising our reliance on internal audit in 2000/2001.

Through discussion with the Council management, we have identified that we will be unable to place reliance upon much of the work performed by the internal auditors. We have therefore agreed an additional 245 days with Audit Scotland to enable us to cover the following additional systems:

- Council Tax;
- Sundry Debtors;
- Purchasing;
- Tendering; and
- Payroll.

The table below summarises the audit approach we will take for all main financial systems:

Accounts Component	Partial Reliance on Internal Audit	Testing of Balances	Analytical Review
General ledger		✓	✓
Revenue and Receivables		✓	✓
Payroll and expenses	✓	✓	✓
Fixed Assets and Capital Charges		✓	✓
Debtors	✓	✓	✓

Stock (including DLO/DSO)	✓	✓	✓
Treasury Management	✓	✓	✓
Purchasing and Payables		✓	✓
Housing Rent		✓	✓
Housing Benefit	✓	✓	✓
Council Tax and Business Rates		✓	✓
Council Tax Benefit		✓	✓
Non-domestic Rate		✓	✓
DLO/DSO	✓	✓	✓
Borrowings		✓	✓

FINANCIAL STANDING

It is the responsibility of the Authority and its management to conduct its financial affairs properly. As external auditors we form a view on whether the Authority's financial standing is soundly based, taking into account the Authority's ability to meet its known statutory and other financial obligations, actual or contingent.

We will focus on the Authority's arrangements for financial control, that is the budgetary framework, and report on the extent to which the Authority meets financial targets and on key financial management issues, such as working capital, debt, reserves, provisions, cashflow and post balance sheet events, in order to assess the financial standing of the Authority. It is not our responsibility to test in detail the Authority's financial plans, projections or budgets and therefore we are unlikely to identify weaknesses that these may contain.

As part of this process, and to add value to the Authority, we will review certain monthly financial reports to identify any areas where we feel specific action is required. We will discuss these in our regular liaison meetings with the Head of Accounting.

The audit approach will focus on the Authority's arrangements for ensuring its continued financial standing is soundly based. We will take into account:

- *statutory financial requirements;*
- *financial targets;*
- *prudent codes and guidelines;*
- *the level of reserves or provisions;*
- *the level of arrears of income, and any deficiencies in income collection procedures;*
- *budgetary control and financial reporting arrangements;*
- *the impact of the Authority's planned future policies on its financial position; and*
- *the impact of any significant post-balance sheet events.*

GOVERNANCE

LEGALITY

It is the responsibility of the Authority and its members and managers to act within the law. We take reasonable steps to assess the Authority's arrangements for identifying significant financial transactions or events that are unusual or of questionable legality. We will do this by reviewing Committee Minutes, expenditure plans, and material items in the Accounts. We will also assess the Authority against advice and legislative changes notified to us by Audit Scotland. Although we bear in mind the question of legality, we do not perform tests of transactions to the extent that would be necessary to disclose all unlawful transactions or events that may have or might occur, and the audit process should not be relied upon to disclose such matters. Audit work does not constitute legal advice.

In order to meet our objectives in this area, we will:

- *review the arrangements in place within the Authority for ensuring the legality of financial transactions;*
- *review committee minutes;*
- *discuss key issues and concerns with management;*
- *have regard to the Authority's implementation of significant new legislation/statutory requirements;*
- *review the local applicability of relevant national issues;*
- *take account of advice issued by Audit Scotland; and*
- *have regard to matters coming to the auditor's attention where legality, losses or deficiencies may be an issue.*

CONTROLS ASSURANCE, INTERNAL AUDIT AND FINANCIAL SYSTEMS

It is the responsibility of the Authority and its management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as auditors is to evaluate significant systems and associated internal controls only so far as we believe is necessary to help form our opinion on the statement of accounts, and to review the adequacy of such systems and controls as a basis for the preparation of the financial statements.

As part of our evaluation we will review the work of the internal auditors and, as in previous years, we would seek to place reliance upon their work where they have performed detailed reviews.

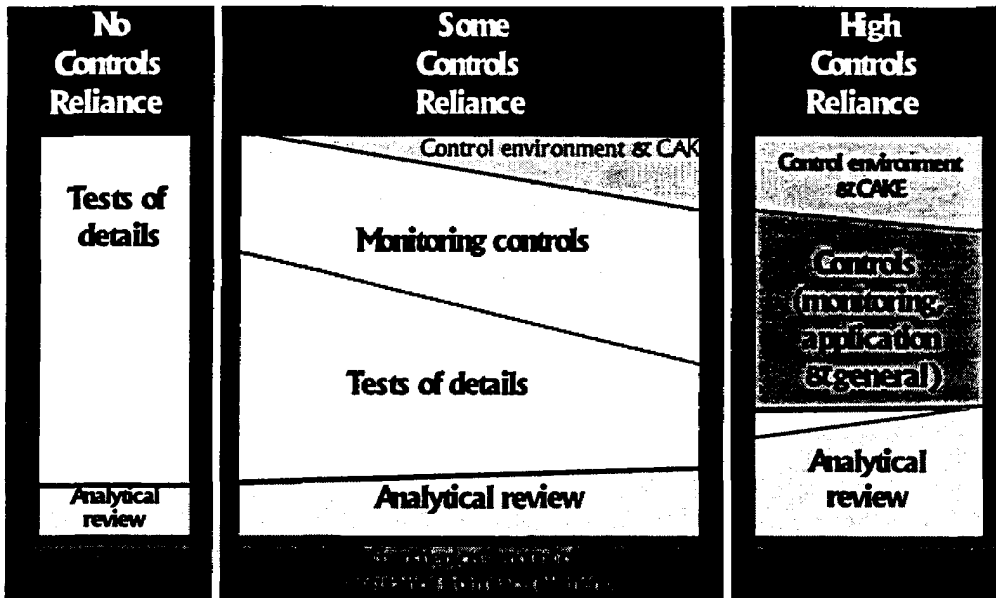
The necessary understanding of the control environment is obtained through a combination of prior experience with the Authority and auditing procedures performed in the current period. Such an understanding for audit planning purposes will often be achieved with less effort in the case of subsequent year audits because of our cumulative audit knowledge and experience. Accordingly, the focus of procedures should be on changes arising in the current year. The steps will normally involve enquiry of client personnel responsible for the procedures together with examination of applicable supporting documentation which might include management accounts and reports, committee minutes, internal audit reports, procedures manuals, and codes of conduct.

The strategy will be dependent upon whether the area is affected by a significant cycle and consequently, whether reliance can be placed on the client's internal controls. In determining the detailed strategy addressing the audit of each cycle, we shall consider the extent to which reliance can be placed on internal controls. Following the PricewaterhouseCoopers methodology there are three options:

- No controls reliance;
- Some controls reliance; and
- High controls reliance

A diagram representing the appropriate types of audit evidence obtained under each strategy option is set out below - explanatory text for each strategy option follows:

Controls Reliance Options



Note: "CAKE"= cumulative audit knowledge and experience.

No controls reliance

A "no controls reliance approach" places no reliance on controls for the cycle and requires the engagement team to obtain high assurance from substantive tests for all audit objectives. Substantive tests will comprise mainly tests of details with only limited assurance from analytical procedures. Audits that have a no controls reliance approach for all cycles will be rare. Note - for some cycles we may decide that a no controls reliance approach is the most efficient approach, even though monitoring controls are in place (eg a cycle such as Aggregate External Finance Grant income with only a small number of transactions, each of which is significant).

Some controls reliance

A "some controls reliance approach" for a cycle envisages assurance from the control environment, cumulative audit knowledge and experience and monitoring controls. The extent, but generally not the nature, of substantive tests will be reduced from the maximum amount which would be necessary in a no controls reliance approach. The reliance from controls for a some controls reliance strategy option is a continuum, so assessing the relative strength of control influences the amount of substantive testing.

High controls reliance

Under a "high controls reliance approach" for a cycle, maximum assurance will be obtained from the control environment, cumulative audit knowledge and experience, and tests of key controls for the audit objectives of completeness, accuracy, existence and occurrence.

Controls to be relied on will comprise key controls (an appropriate selection from available monitoring and application controls) and general computer controls.

The following table lists the major financial systems at the Authority and summarises our intended approach for the financial statements, using the PricewaterhouseCoopers audit approach:

Site/ Financial system	Argyll and Bute Council
Systems fundamental for financial statements	
General Ledger & budgetary control	SOME
Revenue and Receivables	SOME
Creditors-Purchases & Payables	Computer Audit – HIGH
Payroll	Internal Audit – HIGH
Fixed Asset & Capital Charges	SOME
Housing Rent	SOME
Housing Benefit	SOME
Council Tax and Business Rates	SOME
Council Tax Benefit	Computer Audit – HIGH
DLO Costing System	Computer Audit – HIGH
Contracts and tendering	SOME
Stock records	Internal Audit – SOME
Treasury Management	SOME

FRAUD AND CORRUPTION

The prime responsibility for the prevention and detection of fraud and irregularities rests with Authority management. The Authority also has a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to consider the nature of these arrangements, but our work does not remove the possibility that fraud or corruption has occurred and remained undetected. Areas we have considered on a rotational basis in the past include:

- Contract Letting;
- Cash Collection;
- Loans & Expenses;
- Expense Claims;
- Stores;
- Creditor Payments;
- Cheques;
- Trust Funds;
- Equipment & Vehicles;
- Unauthorised Use of Assets; and
- Corruption.

This is the final year of our appointment as external auditors and we have covered all of the proposed areas in our rotational plan in previous years. In 2000/2001 we propose to review the following areas that have raised concerns in previous years:

- Stores;
- Creditor Payments;
- Cheques; and
- Contract Letting.

In addition, we will consider the Authority's overall arrangements, and ascertain what controls exist in the light of actual frauds that have been drawn to our attention at other Authorities through Audit Scotland's Technical Bulletins. We will also review the Authority's progress in implementing a Fraud and Corruption Policy and the development of a "whistleblowing" procedure.

PERFORMANCE

VALUE FOR MONEY

It is the responsibility of the Authority's management to establish proper arrangements for securing economy, efficiency and effectiveness. Our responsibility is to ascertain what arrangements are in place. Consequently, a significant part of our work is normally devoted to reviewing the performance of specific services or activities of the Authority in terms of value for money studies normally directed by the Audit Scotland. We also have a responsibility to review overall management arrangements for ensuring efficient and effective management of the Authority.

Audit Scotland often prescribe national studies each year and we would expect to carry out those which are relevant to the Authority. In performing these studies we are expected to, and normally will, follow the methodologies set out in the Audit Scotland guides. However, we are not involved in the preparation of these audit guides and methodologies, and responsibility for their adequacy and appropriateness rests with Audit Scotland. For 2000/2001 the studies developed are as follows;

- Review Internal Audit;
- School Property Risk Management;
- Commissioning Pre-School Education; and
- Property Management.

In addition, we are available to provide any specific local studies that are considered necessary by the Authority as it develops its strategic plans for 2000/2001.

PERFORMANCE INDICATORS

Our work on performance indicators will rely in part on work undertaken by focusing on additional indicators introduced for 2001/2002 and will seek to meet the Authority's deadline for publication.

BEST VALUE

The purpose of Best Value is to ensure that councils provide services that meet the needs of their customers and citizens and provide value for money. They must also demonstrate that they are accountable and delivering continuous improvement. As external auditors appointed by Audit Scotland we are required to monitor the Authority's progress in implementing Best Value. Performance Management and Planning (PMP) is a means to help achieve these objectives by establishing clear standards and targets for all activities, identifying where and how improvements can be made, and reporting on performance. PMP has three main objectives:

- to provide independent external assurance that councils are making progress on implementing PMP frameworks;
- to identify good practice and areas of concern;
- to ensure that services are planning for improvement.

The audit, as prescribed by Audit Scotland, is designed to assess:

- the extent to which a Performance Management and Planning system is in place;
- the evidence for improvements in service delivery and/or service management that have been achieved as a result;
- the service's planned improvements to its PMP framework, against which progress will be audited in future years.

For 2000/2001 we will follow up the implementation of the improvement actions identified by the three services audited in 1999/2000:

- Non-domestic Rates;
- Sheltered Housing; and
- Estates Management.

In addition, for 2000/2001 we will undertake a corporate level audit and a further three service level reviews. The corporate level audit will focus on a small number of criteria that are generally recognised to be important in supporting the development of a PMP framework. The three service level audits that have been agreed with the Authority for the current year as part of our Best Value work are:

- Registration Services;
- Personnel/Health and Safety; and
- Transportation Services.

APPENDICES

CODE OF AUDIT PRACTICE REQUIREMENTS

APPENDIX A

CODE REQUIREMENT	AUDIT WORK
<p>Opinions on Accounts - to provide you with an opinion on whether your Accounts present a true and fair view of the financial position of the Authority.</p>	<p>We will assess your control for financial systems fundamental to the Accounts, placing reliance on Internal Audit where possible. Our work adopts a balance of controls review, analytical review and testing of accounts.</p>
<p>Financial Standing - to form an independent assessment of your general financial standing.</p>	<p>We will ascertain your reported financial performance throughout the year, considering:</p> <ul style="list-style-type: none"> • The achievement of DLO/DSO financial targets; • Progress in relation to achievement of budgets; • Budget monitoring arrangements and key variances.
<p>Legality - to consider your arrangements for ensuring the legality of transactions that might have a financial consequence.</p>	<p>We will review your management arrangements for ensuring the legality of transactions, which are brought to our attention during our audit process. These include changes notified by Audit Scotland, and locally through detailed review of Committee Minutes, expenditure plans and material transactions in the Accounts.</p>

CODE REQUIREMENT	AUDIT WORK
<p>Control Assurance, Internal Audit and Financial Systems – to undertake an independent assessment of the adequacy of your financial systems.</p>	<p>In addition to work carried out to support our audit opinion, we will also assess the Authority's financial systems, on a cyclical basis, again placing reliance on Internal Audit where applicable. For 1999/2000 we intend to review, with internal audit, the following financial systems:</p> <ul style="list-style-type: none"> • General ledger & budgetary control; • Revenue and Receivables; • Purchasing and payables; • Payroll; • Stock; • Council Tax; • Non-domestic rates; • Treasury; • Housing and Council Tax Benefit; • Housing Rents; • DLO/DSOs; • Fixed asset register; and • Financial reporting.
<p>Fraud and Corruption – to assess your arrangements for preventing and detecting fraud and corruption.</p>	<p>We will review arrangements, on a cyclical basis, of systems vulnerable to fraud and corruption utilising best practice, Audit Scotland Technical Bulletins, and by ascertaining your method of assessment to detect and control fraud and corruption.</p>
<p>Value for Money (VFM) - to ascertain arrangements in place for securing economy, efficiency and effectiveness both for particular services and overall.</p>	<p>Our work includes overall management arrangements, follow-up work on previous reviews and work on Audit Scotland's national studies.</p>
<p>Best Value – to monitor the Authority's progress in implementing Best Value.</p>	<p>We will review the Authority's progress in implementing a Performance Management and Planning (PMP) framework. Best Value (service) reviews and public performance reporting.</p>

CODE REQUIREMENT	AUDIT WORK
Performance Indicators - to assess the Authority's arrangements in producing complete and accurate performance information.	We will review, in conjunction with internal audit, the Authority's Performance Indicator return to Audit Scotland.

AUDIT TEAM

APPENDIX B

The audit team will be managed and supervised by qualified members of staff who have considerable experience in auditing Local Authorities. Audit team briefings will be held to ensure that all supporting staff involved in the audit are made fully aware of the Authority's legislative environment and have a basic knowledge of the Authority's main financial systems. The members of the audit team will be:

Engagement Leader	J Gordon Jack	Responsible for agreeing audit strategy, quality of outputs, presenting final report and opinions. Also responsible for liaison with the Chief Executive and Director of Finance.
Team Managers	Malcolm Gaston Ranald Brown	Management of the audit of financial systems, financial statements and fraud and corruption issues, ensuring delivery to timetable. Review of the report on financial systems. Completion of the audit strategy and final report. Co-ordinating role for regularity specialists in computer audit.
VFM Managers	Lindsey Paterson Shona Malcolm Ranald Brown	VFM, follow up VFMs, local VFMs. Responsible for the delivery and management of VFM studies and output.
Best Value	Malcolm Gaston Marc Mazzucco Ranald Brown	Best Value follow up, a corporate level review and three service level reviews. Responsible for the delivery and management of Best Value studies and output.
Team Leader	David Fleming	Day to day supervision of and liaison point for regularity audit work, preparation of draft report on financial systems. Day to day leading of audit team on site.
Core Staff	Stephen Boyle Gareth Thomson Michael Cerdan Michelle Dowling	Detailed audit.

EXTERNAL AUDIT MANAGEMENT LETTER UPDATE 1999/00
PROGRESS REPORT

1. SUMMARY

A progress review regarding the implementation of recommendations raised in both the PricewaterhouseCoopers (PwC) Final Report to Members for 1999/2000 has been performed by Internal Audit and an exception report produced. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The contents of this report are noted.

3. DETAILS

3.1 Out of 19 action points identified by PwC in their Final report to Members 1999/2000 only 5 exceptions remain to be actioned.

3.2 The 5 exceptions are covered in the appended exception report, 3 of these relate to action dates in March 2001 or later. Of the remaining 2, one relates to the development of a Council, Fraud & Corruption Policy, which once complete will be presented to the Audit Committee for approval. The final action point still outstanding relates to a performance indicator qualification placed on Libraries who in order to meet the performance indicator need to computerise their system of data collection for active borrowers. Although there is a staged programme set in place for this, implementation will be achieved gradually over the coming years, Libraries will therefore not in the short term be able to meet the action placed on them by PwC.

3.3 Appendix 1 identifies the recommendations contained in the PwC Final Report to Members for 1999/2000 which have not yet been implemented

3.4 For the recommendations contained in the Final Report to Members, Internal Audit has accepted management assurances that implementation has taken place. No testing has been carried out to confirm the assurances. Internal Audit will verify these assurances as part of our Follow up Review programme 2001 – 02.

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 26 February 2001.
26febprogreport21mar

Report Reference	Issue	Agreed Action	Responsible for Implementation	Exception
3.34	We recommend that the position of the Ardentinnny and Castle Toward Outdoor Centres should be verified and the assets revalued for inclusion in the balance sheet at 31 March 2001.	Verification of ownership by Legal Service. Valuation by Estates	Susan Mair Head of Legal Services Nick Allan Principal Estates Surveyor. Due Date Legal have completed. Estates by March 2001.	Review March 2001
3.43	We recommend that the basis of the allocation of the central administration overhead to the catering and cleaning DSOs is reviewed and documentary evidence retained for future years.	This has now been completed. A further review will take place in March 2001.	Alan Brough Support Services Manager. Due Date Complete review again March 2001	Further Review March 2001

Report Reference	Issue	Agreed Action	Responsible for Implementation	Exception
4.43	Management should ensure that the Council's Fraud and Corruption Policy, once drafted, incorporates the provisions of Appendix 7 of HB/CTB Circular A21/2000.	Agreed	Audit & Standards Committee Due Date 2000/01	Current development of a Fraud & Corruption Policy is underway and once completed will be presented to the Audit Committee for approval.
7.08	Members should review individual departments' arrangement for ensuring that qualifications on performance indicators are removed for 2000/01.	Primary responsibility for maintaining accurate information systems and ensuring they are properly used rests with service departments. Details of the reasons for qualification will be forwarded to Directors, with all affected departments to submit a plan for passing audit in 2000/01 or as soon as possible after that.	Relevant directors to implement. Due Date On going	Management assurances have been received by Internal Audit, that action has been taken except for the Libraries active borrowers Performance Indicator which will not change until system is completely computerised.
8.20	Members should consider monitoring the implementation of a centrally maintained tender register and request regular reports on activities subject to new contracts.	Consideration will be given to the implementation of a central tender register by the Audit Committee.	Nigel Stewart Director of Corporate and Legal Services Due Date : June 2001	This is currently being actioned.

**ARGYLL AND BUTE COUNCIL
REVIEW OF INTERNAL AUDIT SECTION****AUDIT COMMITTEE
21st MARCH 2001**

1. INTRODUCTION

The establishment of an Audit Committee will raise the profile of the Council's Internal Audit Section. The Audit Committee will receive reports on Internal Audit's annual and three year plan, together with progress on audits and liaison between Internal Audit and External Audit. It is anticipated that the Audit Committee will play an active part in consideration of value for money studies and reports on performance indicators and quality achieved in the delivery of Council services, all of which, could have Internal Audit involvement.

The commencement of the Audit Committee would therefore be an opportune time to review the role of the Internal Audit Section with the presentation of a report to the Audit Committee outlining the current arrangements and raising issues for consideration on possible changes. It is also appropriate to consider the role of Internal Audit at this time as the Accounts Commission are currently conducting a review of Internal Audit arrangements within councils and hope to issue a national report in the spring of 2001. It would be desirable to run the review of Internal Audit in conjunction with the study carried out by the Accounts Commission. A best value service review has been scheduled for Internal Audit but has been deferred pending consideration of Accounts Commission work.

2. RECOMMENDATION

In order to bring an independent view to the review of the Internal Audit Section, it is recommended that the assistance of Dr Arthur Midwinter be secured. Dr Midwinter has made a presentation to members of the Audit Committee to assist with the formulation of an approach to the business of the Audit Committee and it would be very useful to build on this involvement with members.

As the Accounts Commission will not report on their study of Internal Audit arrangements formally until the spring of 2001, the review carried out by Dr Midwinter could be as follows :

Detailed Review

Obtain detailed information on current structure of Internal Audit, resources available, work plans, reporting arrangements and any other aspect relevant to the current delivery of the Internal Audit service and undertake discussions with Internal Audit staff to obtain their professional views on the current position.

Carry out consultation with users of Internal Audit service.

Compare current arrangements with other benchmarking or equivalent information available including CIPFA's Code of Practice on Internal Audit and identify possible areas for improvement.

Carry out an options appraisal for alternative service delivery arrangements e.g. partnership or outsourcing.

The review would be undertaken in a manner consistent with the principles of a best value service review. The approach outlined above includes elements of consultation, benchmarking and options appraisal. It would meet best value principles in terms of member and external involvement through consideration by the Audit Committee and the use of Dr Midwinter would bring an external expertise to the review.

Liaise with External Audit to ascertain preliminary findings from their review of the Council's internal audit arrangements.

Form initial view on recommendations for change and provide draft report to the Director of Finance and the Audit Committee.

Concluding Section

Immediately following the issue of the Accounts Commission report on Internal Audit arrangements within the Council and recognising the findings of that report, prepare a final report for the Director of Finance and the audit Committee with recommendations on alterations to the delivery of the Council's Internal Audit service which will lead to an improved delivery of service. It is anticipated that the report will be consistent with current best practice, CIPFA's Code of Practice, Dr Midwinter's own view based on experience and the Accounts Commission's report on Internal Audit arrangements.

Stewart McGregor
DIRECTOR OF FINANCE
1 March 2001
Reports/reviewofauditsection