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Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart

Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604444
DX 599700 LOCHGILPHEAD
e.mail –nigel.stewart@argyll-bute.gov.uk

7 June 2004

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **MONDAY, 14 JUNE 2004** at **2:30 PM**, 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**
    (a)   Audit Committee 20 February 2004 (Pages 1 - 4)
    (b)   Audit Committee 31 March 2004 (Pages 5 - 6)
    (c)   Audit Committee 29 April 2004 (Pages 7 - 8)

4. **EXTERNAL AUDIT REPORTS 2001-2**
    Report by Internal Audit Manager (Pages 9 - 18)

5. **EXTERNAL AUDIT REPORTS 2002-3**
    Report by Internal Audit Manager (Pages 19 - 46)

6. **EXTERNAL AUDIT PMP REPORTS 2002-3**
    Report by Internal Audit Manager (Pages 47 - 66)

7. **EXTERNAL AUDIT REPORT HMI 2002-3**
    Report by Internal Audit Manager (Pages 67 - 72)

8. **EXTERNAL AUDIT REPORTS 2003-4**
    Report by Internal Audit Manager (Pages 73 - 86)

9. **IFCS STATEMENT 2003-4**
    Report by Internal Audit Manager (Pages 87 - 90)

10. INTERNAL AUDIT ANNUAL REPORT 2003-4
Report by Internal Audit Manager (Pages 91 - 106)

11. ANNUAL AUDIT PLAN 2004-5
Report by Internal Audit Manager (Pages 107 - 124)

12. APPOINT VICE-CHAIRMAN OF THE AUDIT COMMITTEE

AUDIT COMMITTEE

Councillor Donald MacMillan   Councillor John McAlpine
Councillor Gary Mulvaney (Chair)   Councillor Elaine Robertson
Councillor John Tacchi   Christopher Valentine
Ian M Ross

Contact: Melissa Jones   Tel. No. 01546 604406

Agenda Item 3a

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD
on FRIDAY, 20 FEBRUARY 2004**

Present: Councillor Gary Mulvaney (Chair)

Councillor Donald MacMillan   Vincent Bradbury
Councillor John McAlpine   Graham Michie

Attending: Nigel Stewart, Director of Corporate Services
Bruce West, Head of Strategic Finance
Ian Nisbett, Internal Audit Manager
Grant Mccrae, KPMG
Brian Haworth, Audit Scotland
David McConnell, Audit Scotland

Apologies: Councillor Elaine Robertson   Councillor John Tacchi

1. MINUTES

The Committee approved the Minutes of the Audit Committee of 28 November 2003 as a correct record.

2. EXTERNAL AUDIT REPORTS 2001-2

Internal Audit had prepared a list of all external audit management letters produced by Audit Scotland for 2001/2 and outlined the progress made by management in the implementation of the report recommendations.

Decision

To note the contents of the report and request that this be followed up by Internal Audit.

(Reference: Report by Internal Audit manager dated 22 January 2004, submitted).

3. EXTERNAL AUDIT REPORT 2002-3

Internal Audit had prepared an up to date list of all external audit management reports produced by Audit Scotland in 2002/3. Details regarding the results following a review of the progress being made by management in implementing the outstanding recommendations were outlined.

Decision

To note the contents of this report and request that this be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 22 January 2004,

submitted).

4.   **PMP EXTERNAL AUDIT REPORTS 2002-3**

Audit Scotland have a statutory responsibility 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 them in 2002-3 was through Performance Management and Planning (PMP) Reviews and an update on progress made by management in implementing remaining issues was provided.

Decision

To note the contents of the report and request that this be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 23 January 2004, submitted).

5.   **HMI REPORT 2002-3**

Audit Scotland had issued a report covering "Moving to Mainstream – The Inclusion of Pupils with Special Education Needs in Mainstream Schools". Details were reported of a review regarding the progress made by Community Services management in the implementation of key report recommendations.

Decision

To note the contents of the report and instructed that appropriate officials be invited to the next Audit Committee to provide an update on the Action Plan and how the recommendations were being implemented.

(Reference: Report by Internal Audit Manager dated 22 January 2004, submitted).

6.   **PROGRESS REPORT ON INTERNAL AUDIT PLAN 2003-4**

An interim progress report was considered which covered the Audit work performed by Internal Audit up to the end of December 2003.

Decision

To approve the progress made with the annual audit plan for 2003-4 and noted that a final update would be reported to the next Audit Committee.

(Reference: Report by Internal Audit Manager dated 21 January 2004, submitted).

7.   **AUDIT SCOTLAND REVIEW OF INTERNAL AUDIT (FOLLOW-UP)**

Audit Scotland had commenced a review concentrating on assessing compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government. It was reported that this review concluded at the end of January and that a National

report was expected around June 2004.

Decision

To note the actions taken in respect of the follow up review of Internal Audit.

(Reference: Report by Internal Audit Manager dated 23 January 2004, submitted).

8.   **AUDIT PLANNING MEMORANDUM 2003-4**

A report presenting the External Audit Plan for 2003-4 by Audit Scotland was considered by the Committee.

Decision

To note the contents of the submitted report.

(Reference: Report by Chief Auditor, Audit Scotland dated 28 January 2004, submitted).

9.   **ANNUAL AUDIT PLAN 2004-5**

The Committee considered the Annual Audit Plan for 2004-5, which formed part of the 3 year Strategic Audit Plan/Audit Needs Assessment presented and approved by the Audit Committee on 24 May 2002.

Decision

Approved the Annual Audit Plan for 2004-5 and noted that there were sufficient resources to complete the plan.

(Reference: Report by Internal Audit manager dated 20 February 2004, submitted and amended report, tabled).

10.   **DISASTER RECOVERY PLAN**

It was reported that the Disaster Recovery tender was issued via the Authorities Buying Consortium (ABC) on Thursday 8 January 2004 with a return date for tenders of Thursday 29 January 2004.

A timetable for evaluation of the tender responses was outlined and it was reported that the Disaster Recovery Project Team were expected to bring forward final recommendations to the Strategic Management Team by 1 March 2004.

Decision

Noted the contents of the submitted report and that an updated report be submitted to a future Audit Committee on the finalised recovery plan.

(Reference: Report by Head of ICT and Financial Services dated 29 January 2004, submitted).

11. **ANNUAL ACCOUNTS 2003-4**

The Committee were advised of the plans in place for financial year end 31 March 2004 and of the preparation of the Council's annual accounts for 2003-4.

Decision

Noted that plans were in place to prepare the Council's annual accounts, consistent with the Accounting Code of Practice, and to submit them to Council prior to 30 June 2004 in line with the Scottish Executive's requirements.

(Reference: Report by Head of Strategic Finance dated 20 February 2004, submitted).

12. **VALEDICTORY ADDRESS**

The Chairman expressed his thanks on behalf of the Audit Committee and the Council to the two independent non-councillor members Vincent Bradbury and Graham Michie whose terms of office had now come to an end. He added that both members had sat on the Audit Committee since its inception and had helped to set the tone for the meetings. He thanked them for carrying out a valuable public service role.

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD
on WEDNESDAY, 31 MARCH 2004**

Present: Councillor Gary Mulvaney (Chair)

Councillor Donald MacMillan   Councillor Elaine Robertson
Councillor John McAlpine

Attending: Nigel Stewart, Director of Corporate Services
Bruce West, Head of Strategic Finance

Apologies: Councillor John Tacchi

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 1of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

1. **AUDIT COMMITTEE: APPOINTMENT OF INDEPENDENT PERSONS**

   The Director of Corporate Services submitted the Terms of Reference of the Audit Committee for information together with expressions of interest which had been received. Before proceeding to consider these, the Committee agreed they would assess them against the following skills and attributes:-

   i.   Ability to contribute to the Terms of Reference of the Audit Committee.

   ii.   A demonstrable commitment to the ethos of public service.

   iii. Active citizenship demonstrating an ongoing commitment to the Argyll and Bute area.

   iv.   The ability to assimilate a multitude of information, combined with clear thinking and common sense, to provide analytical skills to enable objective and fair decision taking.

   v.   An empathetic approach to understanding issues which may have been brought before the Committee.

   vi.   Communication skills to enable articulation of a constructive contribution to the work of the Committee.

   vii. Skills of negotiation, diplomacy and clear thinking to enable resolution of conflicting points of view and contentious issues.

   viii. A confidence in their own character and abilities and at the same time be capable of commanding the respect of others.

   ix.   The ability to maintain a balanced and independent view and to support the Audit Committee's independent role.

   Decision

1. Having considered the expressions of interest which had been received, the Committee agreed to invite the following to meet the Members of the Audit Committee in order to provide an opportunity for further discussion of the interests in being appointed as a member of the Committee:-

    Mr S MacDonald
    Mr R H McGilvray
    Mr I M Ross
    Mr C Valentine

2. That the Director of Corporate Services write to those persons who ad applied for consideration thanking them for their interest.

2. DATE FOR INTERVIEWS: NEXT MEETING

It was agreed that the next meeting of the Audit Committee would take place on Thursday 29 April 2004 at 9.30 am in the Members Room, Kilmory, Lochgilphead.

Agenda Item 3c

MINUTES of MEETING of AUDIT COMMITTEE held in the MEMBERS ROOM, KILMORY, LOCHGILPHEAD
on THURSDAY, 29 APRIL 2004

Present: Councillor Gary Mulvaney (Chair)

Councillor Donald MacMillan   Councillor John Tacchi
Councillor Elaine Robertson

Attending: Charles Reppke, Head of Democratic Services & Governance
Bruce West, Head of Strategic Finance

Apologies: Councillor John McAlpine

The Committee resolved in terms of Section 50(A)(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 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

*   1.   AUDIT COMMITTEE: APPOINTMENT OF INDEPENDENT PERSONS

Interviews were held with a short leet of applicants as to their interest in being appointed as an independent member of the Committee and as to the skills and attributes which they might bring to the Committee.

Decision

To recommend to Council that Mr I M Ross and Mr C Valentine be appointed as the two independent representatives on the Audit Committee and that the position of Vice-Chair be considered by the Audit Committee at their next meeting.

(Reference: Copies of applications received and Terms of Reference, submitted)

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Agenda Item 4

ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
STRATEGIC FINANCE   **27 MAY 2004**

EXTERNAL AUDIT REPORTS 2001/2002

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1. **SUMMARY**

   Internal Audit has prepared a list of all external audit management letters produced by Audit Scotland in 2001/02 for which recommendations remain to be implemented. (See Appendix 1). A review regarding the progress made by management in the implementation of these report recommendations has been performed by Internal Audit 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 Internal Audit reported at the last audit committee that there were 2 remaining recommendations to be implemented with regard to the Audit Scotland report entitled Management Report – Regularity & Governance 2001/2002. The 2 recommendations have an implementation date of January 2005. Internal Audit will continue to include these in our update to the audit committee until both actions are addressed. (See Appendix 2).

   3.2 The 2001/02 final report to Argyll & Bute Council on the audit of Final Accounts was presented to the Council in November 2002. As at end of April 2004 there are still 2 recommendations remaining to be implemented. One of these has an implementation date of January 2005. This recommendation will continue to be included in the update on progress to the audit committee until the action is addressed. The second recommendation relates to non-operational assets and joint working between Finance and Estates for which a proposed completion date of June 2004 has been given by local management. (See Appendix 3).

   3.3 As reported to the last audit committee, Audit Scotland in December 2002 issued a report entitled Performance Audit of Trading Standards. The report had commented on the good performance of the Council's Trading Standards function when compared to other Scottish Authorities. As at the end of April 2004 a total of 2 recommendations remain outstanding. Management proposes to produce a Public Services Protection Plan by September 2004 and submit policies to Public Service & Licensing Committee in October2004. (See Appendix 4).

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   04 May 2004.
04mayprogreport04May2004

APPENDIX 1

EXTERNAL AUDIT REPORTS

Audit Scotland Report Name	Comments Obtained from Respondents Y/N	Recommendations Outstanding as at 30 April 2004
Management Report – Regularity and Governance 2001/02	Y	2
Final Report Argyll & Bute Council 2001/02	Y	2
2001/02 Performance Audit – Trading Standards	Y	2

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Argyll & Bute council - 2001/2002

APPENDIX 2

ACTION PLAN – REGULARITY & GOVERNANCE 2001/2002

Page/P ara Ref	No	Recommendation	Responsible Officer	Action	Date	Update as at 30/04/04
		Internal Audit				
10/8	4	Management should consider the appropriateness of the staffing structure of internal audit. *Priority: Medium*	Previously the responsibility of S. McGregor now passed to the Head of Strategic Finance.	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	To be reviewed at the end of the current partnership agreement.
11/11	6	Management should consider the relative independence of internal audit and current reporting lines. *Priority: Medium*	Previously the responsibility of S. McGregor now passed to the Head of Strategic Finance.	Internal Audit has access to the Director of Finance, the Chief Executive and the Chairman of the Audit Committee. However this will be reviewed at the termination of the Internal Audit partnership with KPMG	January 2005	The Audit Committee approved the updated Mission Statement and Terms of Reference on 28 November 2003.

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Argyll & Bute Council
Report on the 2001/2002 Audit

Appendix 3

APPENDIX 3

Action Plan

Final Report	Issue to be addressed by the Council	Management response	Action		Update at 30/04/04
Page/Paragraph Reference			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	Proposed date of 30 June 2004 for Annual Accounts.
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.	Previously the responsibility of S. McGregor now passed to the Head of Strategic Finance.	January2005	To be reviewed at the end of the current partnership agreement.

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ARGYLL AND BUTE COUNCIL - 2001/2002 AUDIT
PERFORMANCE AUDIT OF TRADING STANDARDS

APPENDIX 4

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 Update at 30 April 2004.
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.	It is proposed to submit the policies to Public Service Licensing Committee on 7th October 2004.
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 Public Services Protection Plan will be produced by September 2004.

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ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
STRATEGIC FINANCE   **27 MAY 2004**

EXTERNAL AUDIT REPORTS 2002 – 2003.

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1. **SUMMARY**

    Internal Audit has prepared an up to date list of all external audit management reports produced by Audit Scotland in 2002 - 2003 for which recommendations remain to be implemented. (See Appendix 1). Internal Audit has performed a review of the progress being made by management in implementing these outstanding recommendations the results are detailed below.

2. **RECOMMENDATIONS**

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

3. **DETAILS**

    3.1   As reported to the last audit committee the Management Report, Regularity & Governance (2) 2002/03 had 8 recommendations still to be implemented. As at the end of April 2004 this has reduced to 5 recommendations remaining to be implemented. Of these, 2 had implementation dates before the end of 2003. These recommendations relate to the updating of Council Standing Orders where implementation has been rescheduled to 31 July 2004. Of the remaining 3 recommendations 2 had implementation dates of 31 March 2004, these have now been revised to 30 September 2004. The remaining recommendation has an implementation date of 30 September and is presently on going. Progress will continue to be monitored and reported. (See Appendix 2).

    3.2   A report entitled Management of Community Equipment and Adaptations was issued by Audit Scotland in July 2003. At the end of April 2004 Internal Audit can report that there are now 18 recommendations still to be completed. A total of 13 recommendations are scheduled for completion after May 2004. Posts still to be filled account for a further 2 recommendations and of the remaining 3 recommendations new implementation dates have been obtained. As reported previously to the Audit Committee the Community Services Department recommendations continue to be impacted by reorganisation and recruitment delays, suggesting implementation dates will need continuous review so that they remain realistic. (See Appendix 3).

    3.3   At the last audit committee the Audit Scotland report on the 2002/2003 Audit was presented with 8 recommendations. As at the end of April 2004, Internal Audit can report that there are now only 5 recommendations to be implemented with dates stretching out to March 2005. (See Appendix 4). Management have informed Internal Audit that implementation remains on target and that a Policy & Strategy Manager is now in post and reviewing the recommendations.

    3.4   Audit Scotland issued in January 2004 a report entitled Management Report, Regularity & Governance (3). It was reported in February 2004 to the Audit

Committee that out of the original 12 recommendations set out in the report 6 had been implemented. As at the end of April 2004 it can be reported that all recommendations have been addressed. In the case of 2 recommendations made by Audit Scotland management attempted implementation but found it either not possible due to external matters or that no tangible benefits could be achieved. Audit Scotland has been informed of both outcomes. (See Appendix 5).

3.5   Audit Scotland has issued a report in April 2004 entitled Commission Community Care Services for Older People. The report has identified 5 recommendations for implementation with 4 to be implemented beyond 2004 to 2005. The recommendation for 31 March 2004 has been implemented. The Executive Summary and Action Plan from the report have been included for your review. Internal Audit will continue to monitor and report on implementation. (See Appendix 6).

3.6   A report was issued by Audit Scotland in January 2004 entitled e-Government Preparedness. The report makes 2 recommendations and management have informed Internal Audit that they are on target to meet their implementation dates. The Executive Summary and Action Plan form the report has been included for your review. (See Appendix 7).

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   04 May 2004.
04mayfinalreport04May

APPENDIX 1

EXTERNAL AUDIT REPORTS

Audit Scotland Report Name 2002 - 2003	Comments Obtained from Respondents Y/N	Recommendations Outstanding
Regularity & Governance (2)	Y	5
Performance Audit Report – Management of Community Equipment and Adaptions	Y	18
Report on the 2002/2003 Audit	Y	5
Regularity & Governance (3)	Y	0
Commissioning Community Care Services for Older People	Y	4
e- Government Preparedness	Y	2

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Argyll & Bute Council
2002/03 audit   **APPENDIX 2**
Regularity & Governance (2)

1.   Action Plan

No	Recommendation	Grade	Responsible Officer	Action	Date	Update 30 April 2004
1	A Council wide budgetary control procedures manual should be produced and circulated to all budget holders.	High	Head of Strategic Finance Accounting Services Managers	This recommendation will be actioned as part of an overall review of budgetary monitoring. Council wide procedure should be supplemented by service-specific guidance to reflect the diversity of operations	31 March 2004 31 March 2004	Currently reviewing budget monitoring arrangements following restructuring. Revised date 30 September 2004.
8	Training events for budget holders should cover the completion of monitoring forms and the level/detail of response required.	Low	Head of Strategic Finance	This recommendation is accepted and will be incorporated as part of an overall review of budget monitoring procedures.	31 March 2004	Currently reviewing budget monitoring arrangements following restructuring. Training will be developed once budget monitoring reviewed. Revised date 30 September 2004.
17	The basis and reasons for qualitative assessments of bids should be carefully recorded and retained. Standing Orders should clearly state this requirement.	Medium	Head of Democratic & Governance Services	This will be addressed in the new Standing Orders to be adopted by the Council.	31 October 2003	There has been a delay due to the failure to recruit a Governance and Risk Manager to assist with this process. It is anticipated that the tasks will be completed by 31st July 2004.

Argyll & Bute Council
2002/03 audit   **APPENDIX 2**
Regularity & Governance (2)

No	Recommendation	Grade	Responsible Officer	Action	Date	Update 30 Apri 2004
18	Capital investment control guidelines should be reviewed and revised.	Medium	Per Internal Audit Reports	This recommendation summarises a variety of action points identified in two in internal audit reports on capital contracts and contract tendering and vetting. Action plans have been completed for both audits and a responsible officer, action and implementation date agreed for each point. Internal audit will follow up this up in accordance with normal procedures.	Per Internal Audit Reports	Internal Audit has reviewed these issues.
19	Capital project management should be reviewed and consistent controls introduced.	Medium	Per Internal Audit Reports	As above	Per Internal Audit Reports	Internal Audit has reviewed this issue.
20	Review dates should be set for key policies procedures and control framework documents. This includes Standing Orders and Financial Regulations.	Medium	Director of Corporate Services	Council will endorse a strategy of regular reviews	31 October 2003	There has been a delay due to the failure to recruit a Governance and Risk Manager to assist with this process. It is anticipated that the tasks will be completed by 31st July 2004.
21	A comprehensive IM&T Strategy should be prepared.	Low	Heads of Service	The Finance Department disappears as part of the Council-wide reorganisation. An IMT strategy for finance functions will be prepared following the reorganisation.	30 September 2004	On-going

Argyll & Bute Council   **APPENDIX 3**
2002/03 Audit
Management of Community Equipment and Adaptations

1.   Action Plan

No.	Recommendation	Responsible Officer	Action	Date	Update at 30 April 2004
1	A system should be introduced to separately record the Authority's expenditure, referrals and assessments on equipment and on adaptations.	Shirley McHugh	Liase with IT section to enable Care first system to record information required.	August 2004	Awaiting assistance from newly appointed IT Officer
2	A review of activity recording should be undertaken to ensure consistency and accuracy	Shirley McHugh	Liase with IT section to enable Care first system to record information required.	August 2004	See 1 above.
3	Consideration should be given to recording the referrals received and assessments made for housing association and RSL tenants by adding these categories to the "contact by" section of the information system.	Shirley McHugh	Liase with IT section to enable Care first system to record information required.	August 2004	See 1 above
4	The information system should be revised to record assessments completed, individual pieces of equipment issued, individual adaptations installed and completions.	Shirley McHugh	Liase with IT section to enable Care first system to record information required.	August 2004	See 1 above
5	Changes to the information system should be implemented to enable completions to be analysed by client group.	Shirley McHugh	Liase with IT section to enable Care first system to record information required.	August 2004	See 1 above
6	The Council should consider the effect of demographic and other environmental changes in planning for the future needs of the service.	Planning Officer Community Care	Explore the effects of these changes and plan for future service needs.	Date to be agreed by planning department.	Post is currently being advertised.

No.	Recommendation	Responsible Officer	Action	Date	Update at 30 April 2004
7	The Strategy Group should prepare a written plan and timetable for developing the Joint Future agenda, including the development of joint resourcing and giving consideration to the future development of information systems.	Jim Robb	Plan and timetable to be written and developed by Strategy Group.	To be decide by Strategy Group.	Currently completing the Annual update of the Joint Partnership Agreement that will be available in the first week in May 2004.
8	The Council should identify standards for storing, transporting and cleaning equipment and periodically audit the arrangements to ensure compliance.	Shirley McHugh	Develop relevant standards in consultation with Quality Assurance Unit.	August 2004	The timescale has slipped for these recommendations due to difficulties tracking equipment and data-capture. Now that the I.T. post has been filled, a short-life working group including Health and Housing will review the services and possible improvements to service delivery. Target date is now January 2005.
9	Argyll & Bute Council should develop, with the local health service, a Joint Statement of Intent on training and a joint development and training plan.	Jim Robb Shirley McHugh	Liase with Training Departments in Social Work and Health to develop plan and training.	January 2004	Currently completing the Annual update of the Joint Partnership Agreement that will be available in the first week in May 2004.
11	The Council should review their delivery and installation processes.	Shirley McHugh	Care and Repair already delivering/instal ling/collecting majority of equipment. Review this service.	January 2004	Complete

No.	Recommendation	Responsible Officer	Action	Date	Update at 30 April 2004
12	The Council should introduce systems to monitor equipment and adaptation waiting lists and waiting times.	Shirley McHugh	Liase with IT section to enable Care first system to record information required to enable monitoring within joint equipment services.	August 2004	See 1 above.
14	Consideration should be given to establishing and reporting information on the level of recycling of equipment.	Shirley McHugh	Explore ways of recording level of recycling of equipment.	August 2004	The timescale has slipped for these recommendations due to difficulties tracking equipment and data-capture. Now that the I.T. post has been filled, a short-life working group including Health and Housing will review the services and possible improvements to service delivery. Target date is now January 2005.
15	A service, maintenance and repair policy should be developed within the local service.	Shirley McHugh	Develop policies for maintenance, service and repair of equipment.	August 2004	The timescale has slipped for these recommendations due to difficulties tracking equipment and data-capture. Now that the I.T. post has been filled, a short-life working group including Health and Housing will review the services and possible improvements to service delivery. Target date is now January 2005.
17	Performance information should be made publicly available within the Council's framework for PPRg.	Planning Officer for Community Care	Information made available.	Date to be agreed by planning department.	This post is currently being re-advertised.

Argyll & Bute Council
2002/03 Audit
Management of Community Equipment and Adaptations

No.	Recommendation	Responsible Officer	Action	Date	Update at 30 April 2004
18	Budget and expenditure information on major adaptations should be collected and reported within the Council.	Head of Planning & Performance	Information made available	July 2004	This is no longer the responsibility of this Head of Service and has been reassigned to two other Heads of Service: D MacVicar, Head of Community Generation and G Nash, Head of Housing.
19	Council budgeting processes should be reviewed for major and minor adaptations and the level of unmet need determined and reported.	Head of Planning & Performance and Head of Community Support	Set up system	December 2003	It is now becoming apparent that this is a huge task that will require many months and considerable resources to undertake. The matter is being flagged up as a key matter for attention within the early year's action plan within the Local Housing Strategy, which is now nearing completion on June 2004.
20	Systems for collecting and reporting activity data should be reviewed to ensure that the data is reliable and can be analysed into major and minor items, the source of referral and client group.	Head of Planning & Performance	Review & modify existing system	December 2003	This recommendation is now shared by two Heads of Service namely the Head of Planning & Performance and Head of Community Support and has been assigned a new implementation date of December 2004 as being more realistic.
22	Consideration should be given to establishing and reporting information on the level of recycling of adaptations	Head of Planning & Performance	Refine and update existing system	December 2003	A new implementation date of August 2004 was reported to the Audit Committee in February and management have informed internal audit that implementation is ongoing.

Argyll & Bute Council **APPENDIX 3**
2002/03 Audit
Management of Community Equipment and Adaptations

No.	Recommendation	Responsible Officer	Action	Date	Update at 30 April 2004
23	A review should be undertaken to establish whether a pickup service for adaptations exists and if not, whether its introduction would contribute to recycling rates.	Head of Planning & Performance and Head of Community Support	Discussions with Occupational Therapist service to agree a system (see also no.22)	December 2003	A new implementation date of December 2004 was reported to the Audit Committee in February and management have informed internal audit that implementation is ongoing.

Argyll & Bute Council
Report on the 2002/2003 Audit

Action plan

Final Report		Action	
Page/ Paragraph Reference	**Issue to be addressed by the Council**	**Who by**	**When by Date & Status 30/04/04**
1.	Non-operational assets should be reviewed to assess whether these assets contribute to the Council's policy objectives.	B West Head of Strategic Finance	30 June 2004 On Target
2.	The process for identifying and eliminating adjustments to internal profits taken on long-term road contracts should be reviewed.	B West Head of Strategic Finance	30 June 2004 On Target
4.	The practical steps for demonstrating annually that assets have been systematically reviewed for impairment should be documented and implemented. This will be built in to the Council's developing asset management strategy and plan. The first run of which will influence the review of the capital programme in 2004/05.The appointment of the Chief Asset Manager is still awaited but still on target.	D Duthie Head of Transportation and Infrastructure	31 March 2005 Ongoing
5.	A Risk Management Strategy should be prepared.	C Reppke Head of Democratic Services and Governance.	31 July 2004 On Target
6.	The timeliness of the Council's Public Performance Report should be reviewed.	Policy and Strategy Manager	The Policy & Strategy Manager is now in post and this issue is being reviewed.

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Argyll & Bute Council: 2002/03 Audit
Regularity & Governance (3)   APPENDIX 5

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1.   Action Plan

No.	Recommendation	Responsible Officer	Action	Date	Update as at 30/04/04
	DLO/DSO Income				
1	**Property Maintenance:** The reasons for a March income pattern representing four times the normal monthly income are to be investigated and solutions identified which would spread the income pattern more evenly over the year. *Priority: High*	Neil Leckie, Maintenance Manager	The income pattern will be reviewed by the end of March 2004	March 2004	Complete
2	**Property Maintenance:** DLO/DSO Income balances over six months old are to be periodically reviewed and cleared. *Priority: Low*	Neil Leckie, Maintenance Manager	Will review all invoices over 6 months old by the end of February 2004.	February 2004	Complete
3	**Property Maintenance:** A simplification of the Schedule of Rates pricing is to be considered, perhaps based on a few fixed rates. This would simplify estimation and invoicing and may prevent some of the delays in authorisation. *Priority Medium*	Neil Leckie, Maintenance Manager	Will review best value of introducing fixed prices by the end of March 2004.	March 2004	This issue was reviewed but no tangible benefits were identified.
4	**Vehicle Maintenance:** Any agreement to apply payment penalties is to be agreed and evidenced. *Priority: Low*	Peter Robinson, Fleet Manager	Will be carried out in accordance with maintenance contract conditions.	October 2003	Complete
5	**Vehicle Maintenance:** The charging rates of the vehicle types are to be reviewed and corrected in the two cases identified. *Priority Medium*	Peter Robinson, Fleet Manager	Rates were corrected and review completed of other rates.	October 2003	Complete

No.	Recommendation	Responsible Officer	Action	Date	Update as at 30/04/04
6	**Roads Maintenance:** The reasons for a high March income level are to be investigated and solutions identified which would spread the income pattern more evenly over the year. *Priority: High*	Alan MacDonald, Head of Roads	Works program to be set with workload spread as evenly as possible throughout the year. All measurements for works to be finalised as soon as possible after works completed. *However, the unknown cost of winter maintenance year on year may still lead to large balance of income being spent in late March.*	March 2004 onwards	Management state that they have reviewed income levels but have been unable to resolve the issue in 2003 – 2004 as they were faced by a mild winter and late spending resultant from a late allocation of funding from the Scottish Executive.
	Non Domestic Rates - Billing				
7	The procedures required to interface Valuation Roll data to the Anite NDR2 system are to be formalised and documented. *Priority: Medium*	Judy Orr, Head of ICT & Finance	The instructions for Running Roll update from the Assessor have been updated.	August 2003	Complete
8	A sample of applications for NDR empty property relief are to be verified and future procedures based on the identified risk. *Priority: High*	Judy Orr, Head of ICT & Finance	A sample of NDR empty property claims will be checked by debt recovery staff as a basis of identifying that potential error rates are not significant.	March 2004	Complete
	Debtors				
9	Relevant staff are to be reminded of the appropriate rules for VAT coding income from cemeteries. *Priority: Low*	Murray MacFarlane, Senior Accountant	All users have been issued with an updated copy of the procedures manual. See paragraph 2.3.6	October 2003	Complete

No.	Recommendation	Responsible Officer	Action	Date	Update as at 30/04/04
	Payroll				
10	Written procedural instructions are to be prepared for the new payroll/ personnel system. *Priority: Medium*	Judy Orr, Head of ICT & Finance	The project team has devised and agreed a set of procedures for each of the tasks within the Resource Link system.	October 2003	Complete
11	An up-to-date authorised signatory list is to be prepared for payroll transactions ensuring appropriate segregation of duties. *Priority: High*	Judy Orr, Head of ICT & Finance	Update of list is almost complete.

Segregation between authorisation of input and actual input, thus the access rights should differ from the authorisation lists. Matter will be raised again at next HR project team meeting. | Ongoing | Complete |
| | **Internal Audit** | | | | |
| 12 | Internal Audit working files are to include a summary of matters arising cross-referenced to individual working papers. *Priority: Low* | Ian Nisbet & Alex Colligan, Internal Audit Managers | This has been implemented. | December 2003 | Complete |

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1.   EXECUTIVE SUMMARY

1.1   Commissioning community care services for older people is an important Council function which impacts directly on the quality of people's lives. Older people are the main users of community care services and demand for these services will grow as the older population increases and lives longer. Community care policy should encourage a move away from institutionalised or hospital based care towards the care of older people in their own homes. In order to support older people to live as independently as possible, both the health service and Councils require to work together effectively to deliver an integrated package of care.

1.2   Community care planning is a statutory responsibility of local authorities but involves other bodies that provide care including the health service, voluntary organisations and the private sector.

1.3   As part of the 2002/03 performance audit activity, Audit Scotland has carried out a review of the management of commissioning care services for older people. The review was developed by the performance audit section of Audit Scotland and undertaken in all Scottish local authorities. A national report will provide an analysis of how commissioning community care services for older people has developed across Scottish councils and data will be analysed to provide a baseline picture of commissioning across Scotland.

1.4   This report looks at the way in which Argyll and Bute Council commissions community care services for older people. The audit review included collection of local data, interviews with key staff, and a review of relevant documentation. Where appropriate the report makes recommendations to address weaknesses identified. It also identifies specific areas of good practice. In particular, the review covered the arrangements for:

   ♦ community care planning;
   ♦ joint working and commissioning;
   ♦ balance of care;
   ♦ contracting, delivering and monitoring quality;
   ♦ Best Value; and
   ♦ supporting people.

1.5   The main conclusions of the review are that:

   ♦ the importance of joint working with partners has been fully recognised by the Council. The Strategic Agreement between the Council and NHS Argyll and Clyde (Full Partnership Agreement) sets out the range of joint management arrangements currently in place and details areas where further developments are required;
   ♦ management information systems have been developed to enable the needs of older people to be identified and fed into the community care planning process. However, the systems are open to improvement to capture more useful information;
   ♦ the Council and the partner agencies regularly consult with older people, service users and their carers;
   ♦ the Council is addressing Balance of Care issues; and
   ♦ good practice areas were identified including the implementation of a joint training

programme for health and social services staff covering single shared assessment; the introduction of an integrated outreach team based in Oban with a remit of crisis intervention, rehabilitation at home, prevention of admission to hospital or long term care, and early hospital discharge; and the establishment of a joint future partnership forum whose purpose is, inter alia, to assess and discuss the impact of the Joint Future Agenda on staffing structures, roles, responsibilities and working practices.

1.6   There are some areas where further developments are required and these are included in the action plan to this report. In summary:

   ♦ further progress is required to develop and implement joint services and associated management arrangements;
   ♦ financial management arrangements and financial protocols for joint resourcing require further development and documentation;
   ♦ arrangements for assessors to access services across social work, health and housing require to be agreed and finalised including a joint protocol and consent arrangements;and
   ♦ although difficult, the Council should consider estimating the uptake of direct payments for older people, in numbers and expenditure terms, to aid budgetary control.

2.   ACTION PLAN

No	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
1	Officers should confirm that the revised system can provide aggregated information from individual care plans and additional information on unmet need to inform the planning process. **Priority: Medium**	Helen Kidd	To devise and maintain a system for recording and analysing unmet need.	October 2004	This date will not be met. There is a working party been set up to look at the issue. There are also staffing issues that will have to be resolved. A more realistic date would be April 2005.
2	Officers should implement information sharing arrangements to enable access to services across social work, housing and health, including the requirement to obtain consent. **Priority: Medium**	Head of Integrated Care	Paper version in place. IT infrastructure being negotiated.	April 2005	On going
23	Estimates for the uptake of direct payments for older people (numbers and expenditure) should be prepared. **Priority: Medium**	Elaine Docherty	Liaise with Service Centres and Planning.	October 2004	On going

4	Actions should be identified to further develop and implement joint services and associated management arrangements. **Priority: Medium**	Head of Integrated Care	Ongoing meetings with Partners to take forward joint management proposals. A number of joint Managers are in place.	April 2005	On going
35	Financial management arrangements and financial protocols for joint resourcing should be further developed and agreement should be reached on a joint resourcing budget. **Priority: Medium**	Bill Smith	We have agreed joint financial protocols.	31st March 2004	Complete

Argyll & Bute Council
2002/03 Audit   **Appendix 7**
e-Government Preparedness

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1. Executive Summary

Introduction

1.1 On 31 March 2000 both the Prime Minister and Scotland's First Minister made parallel announcements that:

♦ by 2005 all public services that are capable of electronic delivery will be available in this form;

♦ public services will be available 24 hours a day, seven days a week where there is a demand; and

♦ people will be able to notify different parts of government of changes in circumstances in one transaction.

1.2 As part of our 2002/03 audit of Argyll & Bute Council, we asked that a short questionnaire be completed to establish the level of on-going preparedness towards achieving the Government's commitment on "information age government", and to gauge the level of provision made for controlling the introduction of new electronic services.

1.3 Initially we aim to establish a baseline position by examining three main areas which are critical in handling any project:

♦ strategy;

♦ implementation; and

♦ monitoring.

1.4 We are aware however, that each organisation must tackle the e-Government agenda in a way that:

♦ suits its culture;

♦ is geared to the type of interaction that exists with the public and other organisations it does business with;

♦ takes account of its existing infrastructure;

♦ can take maximum advantage of existing legacy applications systems;

♦ takes advantage of experiences elsewhere in the public or private sector; and

♦ can be properly resourced.

1.5 We are also aware that different organisations cannot address all issues in the first instance, and have instead been concentrating on the areas it feels are most relevant to them. It is not the intention of this audit therefore, to develop league tables, or compare one organisation against another.

1.6 Our findings are based on a review of documentation provided and discussions with staff based in the Council's Graham Williamson IT Centre in Helensburgh.

1.7 We conduct our audit in accordance with Audit Scotland's Code of Practice. The Code makes clear that it is the responsibility of management to ensure that internal control systems are appropriate.

1.8 This report summarises the findings from our audit work and, where appropriate, makes recommendations to strengthen existing controls or otherwise address any identified weaknesses. It should be noted that the weaknesses recorded are only those which came to our attention during the course of normal audit work and are not necessarily, therefore, all of the weaknesses that may exist.

1.9 Although this report includes a number of specific recommendations to strengthen internal controls, it is the responsibility of management to decide the extent of the internal control system appropriate to the Council. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

1.10 The assistance and co-operation of all staff interviewed during the course of this review is gratefully acknowledged.

Main findings and conclusions

Strategy

1.11 The Council gave comprehensive consideration to the issues facing the organisation and the actions required in its 21st Century Government Action Plan (The Action Plan). The Action Plan aims to address the following themes:

- ♦ services focused on the citizen and the business;
- ♦ joined-up government;
- ♦ electronic delivery; and
- ♦ use of technology to improve the efficiency of internal processes.

1.12 The Action Plan recognises that the nature of the geography and demographics of the Argyll and Bute area lends itself to gain major advantages in service delivery through the use of data communications, disproportionately so compared with densely populated areas. The Action Plan also emphasises the relative unavailability and costliness of communications technology in the area, calling on central government to implement measures to address this disparity.

1.13 Various individual projects relating to Modernising Government are underway. The Council funded a project for a Corporate Document Management and Workflow system. All incoming and outgoing correspondence relating to Revenues and Benefits is scanned into digital files. This project makes documentation available throughout the Council regardless of where physical files are held. This new system will be evaluated for further roll-out in due course.

1.14 Funding was obtained for 6 projects from the Modernising Government Fund (MGF), with the Council contributing proportionately. One of these projects, The Three Islands Project, was co-funded by Argyll and Islands Enterprise. The aim of this project was to provide remote island communities with a range of services equivalent to that obtainable on the mainland using electronic means. This project also served as a test-bed for the development of a multi-agency one-stop shop.

1.15 Plans are underway for the Council to buy into the Scottish Executive's e-Procurement project. The business case is being prepared for formal approval during December 2003 with a view to complete first phase implementation by the end of March 2004. This e-Procurement project is a collaborative project with funding from the Scottish Executive, Authorities Buying Consortium (ABC) reserve and individual councils.

1.16 Other projects include the Young Scot / Dialogue Youth project where, in phase 1, a youth discount and service access card was introduced and in phase 2 extended to provide for cashless catering in schools. The Data Standards project that is underway aims to establish a local Land and Property Gazetteer with linkage to the National equivalent. The Council is further participating in the ScotXed project, aimed at developing a data exchange between schools and the Scottish Education Department.

1.17 The Council's Action Plan acknowledges in paragraph 4.1.1 that "Truly modernising government will require the Council, and its partners, to have the ability to embrace these projects, bring them in to the mainstream and continuously reinvent itself." The Action Plan makes further reference to the re-engineering of service delivery in order to successfully achieve the 21st Century Government objectives (paragraph 3.6).

Implementation

1.18 The Council identified services that could be provided electronically in the Scottish Executive's Electronic Service Delivery questionnaire that was completed at the end of 2002 and published in March 2003. This document estimated that the majority of services (60%) will be delivered via contact centre, 25% online and 15% face-to-face.

1.19 MGF round two funding for a customer contact centre did not materialise and the Council is reviewing the options available to achieve the systems integration that will enable electronic delivery of services. Various issues are hampering progress in this respect, in particular communication technology availability and the geographical dispersion of different services.

1.20 We are pleased to report that the Council is implementing an Information Security Management System based on the best practice contained in BS 7799. As part of this project the Council has already prepared guidance for the different users, including a data protection handbook, policies and procedures relating to Information Security, Data protection, Email Security and Internet Security.

1.21 It is encouraging to note that the Council keeps data protection under constant review, specifically relating to new electronic services becoming available. The Data Protection Register was recently updated to incorporate the purposes and uses of data held on the Integration of Scottish Criminal Justice Information Systems (ISCJIS).

Monitoring

1.22 Projects are being monitored using the Prince project management methodology. The two Acting Heads of IT report progress to the Council Management Team on a quarterly basis. At the time of this audit review the new Head of ICT and Financial Services was being established. This appointment forms part of a reorganisation in the Council's organisational structure and the Head of ICT and Financial Services reports to the Strategic Director of Corporate Services.

Comments for consideration

1.23 A detailed audit of e-Government projects was beyond the scope of this review and it is not appropriate to offer an opinion on controls. However, we would offer the following comments for consideration:

♦ Information and Communication Technology is fundamental to enabling e-Government. Effective achievement of the 21st Century Government Agenda relies heavily on the appropriate steering of the ICT function to enable the various Services to deliver through this means.

Refer Action Plan No. 1

♦ Though funding for a customer contact centre did not become available the Council is reviewing options to enable this aspect of electronic service delivery. The development of a customer contact centre would have been instrumental in re-engineering current work practices and modernising this element of service delivery.

Refer Action Plan No. 2

2.   Action Plan

Para Ref	No	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
1.23	1	The Council should consider creating an "Information and Communication Steering Group" or equivalent with representation from all Services. This group should steer the Council's ICT function to introduce electronic service delivery and aim for best value on a Council-wide basis.	Head of ICT and Financial Services	The ICT Strategy Working Group is being established with the aim of formulating a strategy and monitoring it's implementation.	August 2004	On target
1.23	2	With the customer contact centre project not progressing according to timescales originally agreed, the Council should assess the current position and take action to reflect the way forward in their 21st Century Government Agenda.	Head of Democratic Services and Governance	The strategic plan is being developed for approval by the Strategic Management Team and Strategic Policy Committee.	July 2004	On target

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Agenda Item 6

ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
STRATEGIC FINANCE   **27 MAY 2004**

PMP EXTERNAL AUDIT REPORTS 2002 – 03.

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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 them in 2002 - 2003 was to review Council best value progress through Performance Management and Planning (PMP) reviews.

2.   RECOMMENDATIONS

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

3.   DETAILS

3.1   As reported to the last audit committee Internal Audit will continue to report on the progress made by management in implementing the agreed actions outlined in the Audit Scotland PMP reports.

3.2   As at the end of April 2004 Internal Audit carried out a review to establish what progress management had made in implementing the agreed actions raised in the PMP follow up reviews performed by Audit Scotland. Appendix 1 sets out the updated position and Appendices 2 to 6 covers the remaining actions unresolved with management comment appended. Internal Audit in discussion with management can see that progress is taking place and will continue to monitor and report on those recommendations still to be implemented.

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   04 May 2004.
04mayfinalreport04may

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APPENDIX 1

EXTERNAL AUDIT PMP REPORTS

Appendix No.	PMP Report Name	No. Of Original Recommendations May 2002	No. Of Recommendations Outstanding as at 30 April 2004
2	Personnel	11	0
3	Fleet Management	6	1
4	Corporate Approach	23	1
5	Roads & Transportation	22	0
6	Community Care	22	6

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ARGYLL & BUTE COUNCIL - 2002/2003 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW-UP AUDIT OF PERSONNEL SERVICES

APPENDIX 2

BEST VALUE ACHIEVEMENT REPORT

Action Plan

1. Agreed improvement action from the 2000/01 PMP audit carried out by Audit Scotland.	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.	Dates for further follow-up work agreed with Audit Scotland.	Progress at 30 April 2004
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	Complete.

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.	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.
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.	D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.

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APPENDIX 3

ARGYLL & BUTE COUNCIL - 2002/2003 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP AUDIT OF FLEET MANAGEMENT SERVICES
(TRANSPORTATION)

1. Agreed improvement action from the 2000/01 PMP carried out by Audit Scotland.	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 Audit Scotland.	7. Progress as at 30 April 2004.
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: - 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.	Although Fleet Management were scheduled to complete this task for June 2004 there is an Operational Services Department, "Getting To Know You Exercise", ongoing at present, which Fleet Management is part of.

APPENDIX 3

ARGYLL & BUTE COUNCIL - 2002/2003 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP AUDIT OF FLEET MANAGEMENT SERVICES
(TRANSPORTATION)

1. Agreed improvement action from the 2000/01 PMP audit carried out by Audit Scotland.	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 Audit Scotland.	7. Progress as 30 April 2004.
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	Complete

A – The council manager can demonstrate that implementation has progressed as planned in the original improvement action template. The action complete i.e. action complete or planned milestones met and on target.	**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.
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.	**D** – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.

RGYLL & BUTE COUNCIL - 2002/03 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP OF THE 2000/01 CORPORATE AUDIT

IMPROVEMENT ACTION PROGRESS REPORT

APPENDIX 4

1. Agreed improvement action from the 2000/01 PMP with Audit Scotland.	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 follow up work agreed with Audit Scotland	7.Progress at 30 April 2004 review by Internal Audit.
5. Develop and host Service Challenge Day	• 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	Staff would have • greater awareness of Best Value • more involvement in the Best Value process • more ownership of the process	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.	The work is programmed in the Corporate Policy Service Plan. (5)	January 2004	Complete.

RGYLL & BUTE COUNCIL - 2002/03 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP OF THE 2000/01 CORPORATE AUDIT

IMPROVEMENT ACTION PROGRESS REPORT

APPENDIX 4

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 follow up work agreed with Audit Scotland	7. Progress at 30 April 2004 review by Internal Audit.
			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. 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. The revised timescales are as follows ■ Develop training programme Oct 03 ■ Services nominate staff to attend Nov 03 ■ Trainers are trained Dec 03 Host events January 04(B)			

MARCH 2003

AUDIT SERVICES–AUDIT SCOTLAND

RGYLL & BUTE COUNCIL - 2002/03 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP OF THE 2000/01 CORPORATE AUDIT

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.Dates for follow up work agreed with Audit Scotland	7. Progress at 30 April 2004 review by Internal Audit.
7. Ensuring team meeting structures are in place to cascade information about best value to Council staff	• Design cascade structure July 2001 • Establish cascade structure Sep 2001 • Monitor and evaluate the effectiveness of the structure March 2002	Staff have • Greater awareness of Best Value • more involvement in the Best Value process • more ownership of the process	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. The revised timescales are as follows • Design cascade structure Oct 03 • Establish cascade structure Dec 03 • Monitor and evaluate the effectiveness of the structure **(B)**	• N/A	January 2004	Complete.

MARCH 2003

AUDIT SERVICES–AUDIT SCOTLAND

3

APPENDIX 4

ARGYLL & BUTE COUNCIL - 2002/03 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP OF THE 2000/01 CORPORATE AUDIT

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.Dates for follow up work agreed with Audit Scotland	7. Progress at 30 April 2004, review by Internal Audit.
22. Complete implementation of management information systems to deliver required performance information	• The Council is to review its management information systems Nov 02 • Recommendations as how to improve systems Dec 02 • Implement action Plan Mar 03	The Council will have information systems, which will enable it to provide the information that stakeholders require.	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)**	▪ Knowledge Management Report to Management Team (19th Dec 2002) (See 21.1) ▪ Establishment of research forum.(23.2)	Initially scheduled for March 2003 Could be delayed until autumn depending on the Best Value Task Force - Autumn 2003 – September 2003	The Policy & Strategy Manager is now in post and this issue is being reviewed.

ARGYLL & BUTE COUNCIL - 2002/03 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING –
FOLLOW UP OF THE 2000/01 CORPORATE AUDIT

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 carried out by Audit Scotland.	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 follow up work agreed with Audit Scotland	7. Progress as at 30 April 2004.

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.	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.
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.	D – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.

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ARGYLL & BUTE COUNCIL - 2002/03 AUDIT
PERFORMANCE MANAGEMENT AND PLANNING
FOLLOW UP AUDIT OF ROADS AND TRANSPORTATION

APPENDIX 1
IMPROVEMENT ACTION PROGRESS REPORT

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.	7. Internal Audit review as at 30 April 2004.
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.	Complete

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.	**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.
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.	**D** – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.

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APPENDIX 6

IMPROVEMENT ACTION PROGRESS REPORT

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 carried out by Audit Scotland.	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 Audit Scotland	Progress as at 30 April 2004.
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	Will be completed week ending 7 May 2004.
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	Will be completed in May 2004.
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	Recruitment still to be completed no date proposed as yet.

ARGYLL & BUTE COUNCIL - 2002/2003
PERFORMANCE MANAGEMENT AND PLANNING
FOLLOW UP AUDIT OF COMMUNITY CARE SERVICES

APPENDIX 6

IMPROVEMENT ACTION PROGRESS REPORT

1. Agreed improvement action from the 2000/01 PMP audit carried out by Audit Scotland.	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 Audit Scotland	Progress as at 30 April 2004.
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)	Will be completed in May 2004.
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**	Will be completed in May 2004.
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	Vacancy in Planning Officer post has still not been filled gone back out again for re-advertisement
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	Done.

APPENDIX 6

IMPROVEMENT ACTION PROGRESS REPORT

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.	**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.
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.	**D** – The council no longer intend implementing the original improvement action. Reasons should be given for not implementing the original action.

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ARGYLL & BUTE COUNCIL　　　　　　　　　　　　　　　**AUDIT COMMITTEE**
STRATEGIC FINANCE　　　　　　　　　　　　　　　　　**27 MAY 2004**

HMI REPORT 2002 – 2003

1. **SUMMARY**

   The Accounts Commission issued a report in May 2003 covering Moving to Mainstream – The Inclusion of Pupils with Special Education Needs in Mainstream Schools. A review regarding the progress made by Community Services management in the implementation of key report recommendations has been performed by Internal Audit, the results of which are detailed below.

2. **RECOMMENDATIONS**

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

3. **DETAILS**

   3.1　Internal Audit reported to the last audit committee that 2 reports had been produced by Audit Scotland, a main and summary report. The summary report contained 11 main recommendations pertinent to local authorities and their schools. These were extracted and inserted into an action plan for Community Services management to progress implementation.

   3.2　Of the original 11 key recommendations set out in the summary report, Internal Audit can report that at the end of April 2004 good progress has been made and only 3 recommendations remain to be implemented. Management have appended their comments and implementation dates with regard to the remaining outstanding recommendations. (See Appendix 1).

   3.3　Once all key recommendations from the summary report are implemented, the next step will be to take the main report and draw up a similar action plan in order to ensure that main report recommendations are progressed by Community Services management. A report has also been prepared at the request of the Audit Chairman detailing the progress made to date Moving to Mainstream, see Appendix 2.

4. **CONCLUSIONS**

   Internal Audit will continue to monitor progress by Community Services management regarding the issues raised in both the summary and main report.

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   04 May 2004.
04mayfinalreport04May

APPENDIX 1
Action Plan: Moving to Mainstream

No	Recommendation	Responsible Officer	Community Services Management Response	Update 30 April 2004
	Building capacity for inclusion.			
5	Councils should ensure that schools' physical environments are adapted to meet the needs of pupils with SEN, and that essential adaptions are made before pupils are admitted. NPDO to be considered.	Head of Planning & Performance/ Disability Access Co-ordinator	As above. The early identification of children with physical disabilities by educational psychologists allows information on needs to be built into plans for adaptation and refurbishment.	The specific requirements of pupils with SEN in mainstream schools are currently being dealt with as part of the NPDO consultation. Will be completed by June 2005.
6	Councils should ensure that senior managers in schools have sufficient time for leading and managing provision for pupils with SEN.	Head of Secondary Education and Pupil Support	The National Agreement provides for planning and preparation time beyond the amount of time allocated to class teaching. Specialist staff is involved in supporting planning.	Completed - the management time provided has proven adequate.
7	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 head teacher and other members of staff	Head of Secondary Education and Pupil Support/ Quality Improvement Officer in SEN.	The need for support staff is reviewed annually on the basis of an audit of need. Staffing is supplemented as necessary to meet needs effectively.	The annual audit for Session 2004/5 is being carried out. It will be completed by June 2004.
	Quality & Attainment.			
9	Councils and schools should ensure that they have rigorous approaches to monitoring and evaluating the quality of inclusive provision for pupils with SEN.	Head of Secondary Education and Pupil Support	The Individual Education Plans for children with SEN are reviewed annually. This involves staff from education and other relevant agencies as well as parents. For pupils in special schools, the appropriateness of transfer to mainstream is explicitly considered at reviews.	All Records of Needs and Individual Education Plans will have had annual reviews completed by the end of May 2004.

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ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
COMMUNITY SERVICES   **27 MAY 2004**

HMI   REPORT - 2002/2003

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1.   **INTRODUCTION**

An HMI Report was issued by Audit Scotland in 2002/03, an action was placed upon Community Services, to the progress and achievement of recommendations identified within the Summary and Main report. It was decided to address the Summary report recommendations first and good progress has been made with regard to implementation. The Audit Committee has requested an update as to progress and this is set out below.

2.   **RECOMMENDATIONS**

2.1   The Audit Committee note the content of this report and follow up by Internal Audit.

3.   **DETAILS**

3.1   The presumption of mainstream schooling has been the position in Argyll and Bute since before the introduction of the 2000 Act.   Parental preference for local school placement led, for example, to the closure of the two hostels associated with Drummore and Whitegates whose role became limited to supporting local pupils.   This policy on local placement continues to inform development in NPDO where substantial new provision for addressing special education needs is being incorporated into building design.   Active consideration is also being given to the incorporation of Drummore and Whitegates schools into mainstream campuses.   In addition a detailed audit of disabled access needs has been carried out in the residual schools estate and the post of Disability Access Coordinator has been established to provide effective links between education and property services staff.

3.2   Revenue budget resources and additional monies from the National Priorities Action Fund for Inclusion have been directed towards the provision of additional specialist teaching staff and special needs assistants.   These staff are based in teams and are deployed to support pupils and staff in local schools on the basis of an annual formal analysis of support need.   These staffing levels have been increased incrementally in response to the increasing presentation of need in schools.   In addition funds allocated to Fusions (Fuller Services in our Neighbourhoods and Schools) are directed towards securing multi-agency support for children and families on a local basis to help wrap support around local school placements.

3.3   In the annual review of Records of Needs for individual pupils, school placement is formally considered and whether placement in a special school or shared between a special and mainstream school should continue.   A formal note is taken of the review meeting and is acted upon.

APPENDIX 2

3.4 Although much is being achieved in responding to the prescription of main stream agenda, the council is likely to continue to require access to national resources of expertise and provision for children and young people with profound and highly demanding needs. These resources can and do, in terms of quality of support and cost effectiveness, provide a valuable service in conjunction with the continuum of support provision within Argyll and Bute.

4. CONCLUSIONS

4.1 The Moving to Mainstream agenda is fully consistent with the well-established inclusion policy which continues to operate within Argyll and Bute. The endorsement of this approach at national policy level is welcomed.

5. IMPLICATIONS

None

For further information please contact Ronald Gould, Head of Secondary Education (01360 708528)

R Gould
Head of Secondary Education
04 MAY 2004

ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
STRATEGIC FINANCE   **27 MAY 2004**

EXTERNAL AUDIT REPORTS 2003 – 2004.

1.   **SUMMARY**

Internal Audit has prepared an up to date list of all external audit management reports produced by Audit Scotland in 2003 - 2004 for which recommendations remain to be implemented. (See Appendix 1). Internal Audit has performed a review of the progress being made by management in implementing these outstanding recommendations the results are detailed below.

2.   **RECOMMENDATIONS**

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

3.   **DETAILS**

3.1   Audit Scotland issued a report in March 2004 entitled Regularity & Governance (1) – Property Asset Management 2003 - 2004. This report is a result of a joint review between Audit Scotland and Internal Audit covering the Council's arrangements for Asset Accounting and Asset Management. The Executive Summary and Action Plan are appended in Appendix 2. As at 23 April 2004 there are 15 recommendations to be implemented. Of this 4 have an implementation date of 30 April 2004. Internal audit has been advised by management that implementation will take place week commencing 3 May 2004. Once implementation is confirmed for the 4 recommendations this report will be amended.

3.2   The Head of Infrastructure & Transport advised internal audit regarding 5 recommendations for the Chief Asset Manager that it is taking longer than had initially been anticipated to recruit a Chief Asset Manager and consequently implementation will be delayed. An initial implementation date of 30 September 2004 for 2 recommendations has been moved back to 31 December 2004. Internal Audit will continue to monitor progress with all recommendations. (See Appendix 2).

3.3   A report entitled Prudential Code was issued in March 2004 by Audit Scotland. The report covers the Council's arrangements in complying with the Prudential Code of Practice for Capital Finance in Local Authorities. As at 23 April 2004 there are 7 recommendations to be implemented. Internal Audit have been informed by management that implementation remains on going. The Executive Summary and Action Plan are appended in Appendix 3.

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   04 May 2004.
04mayfinalreport04May

APPENDIX 1

EXTERNAL AUDIT REPORTS

Audit Scotland Report Name 2003 - 2004	Comments Obtained from Respondents Y/N	Recommendations Outstanding at 23 April 2004
Regularity & Governance (1) Fixed Asset Management	Y	15
Prudential Code	Y	7

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1.   Executive Summary – Property Asset Management

Introduction

1.1   Our interim audit activity, is concerned with undertaking reviews of selected systems. Our approach in 2003 - 2004 sought to obtain assurance, by systems review and testing together with discussion with officers, as to the existence and effectiveness of a number of controls considered essential to ensure that reliance could be placed on the operation of the identified systems.

1.2   This report summarises the findings from our audit work and, where appropriate, makes recommendations to strengthen existing controls or otherwise address the identified weaknesses. It should be noted that the weaknesses recorded are only those which came to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses that may exist.

1.3   This was a joint review, performed in conjunction with the Council's Internal Audit department, and covered the Council's arrangements for Asset Accounting and Asset Management.

1.4   We conducted our audit in accordance with Audit Scotland's Code of Practice and Argyll & Bute Council's Internal Audit Manual. These documents make clear that it is the responsibility of management to ensure that internal control systems are appropriate

1.5   The main aim of the Audit Scotland capital accounting review was to confirm that the Council's operational and non-operational land and buildings are accurately recorded in the financial ledger.

1.6   Internal Audit's main objective was to evaluate the efficiency and effectiveness of the systems supporting the introduction of a Council wide property asset management plan.

1.7   This report summarises the findings from the joint review and, where appropriate, makes recommendations to address the weaknesses identified.   It should be noted that communication of weaknesses does not absolve management from its responsibility for the maintenance of an adequate system of control. The Action Plan included within this report sets out the agreed action to be taken in response to the main recommendations, graded to show their relative priority, and the timescales within which these issues are to be addressed. The Action Plan should be read in conjunction with the relevant references from the main body of the report.

Summary of Main Findings

1.8   Estates and Finance Sections maintain separate registers, but these systems do not have a consistent reference number for the same property. This, and the fact that the quality of the description and address of a property can vary significantly, means that the two systems have not been reconciled. The Estate's Property Register does not contain valuation and financial information. This data is included within Finance's Asset Register, which is used as the basis for preparing the Financial Statements.

1.9   The absence of ongoing reconciliation of the two Registers and the inconsistent referencing methods used by the two lists could lead to further discrepancies between

the systems and uncertainty over which provides a comprehensive record of asset records. We recommend that either a single unified asset and property management record is developed or that the reconciliation procedures and cross-referencing of the properties is improved.

1.10   Substantive testing identified 295 properties on the Property Register that were not on the Asset Register. A sample test of 10 properties from the Estates Property Register found that 7 were still in use by the Council. This suggests that a significant proportion of the 295 properties may be incorrectly omitted from the Asset Register. The value of the Asset Register understatement is not known, but 16 properties did have valuations attached totalling £401,000.

1.11   There were also 74 entries on the Asset Register that were not included on the Property Register and 30 assets appeared twice on the Property Register. Assets sometimes consisted of multiple entries within both Registers and we found and linked 149 Property Register Records to 57 Asset Register records. Also 32 Asset Register Records were matched to 16 Property Register entries as part of a reconciliation process.

1.12   A review of 15 title deeds, held by the Legal Section, found that 5 properties were still in use by the Council but were not included in either the Estates or Asset Registers.

1.13   The Council owns several classes of properties that are not valued or capitalised. These are included in the Estate's Property Register, but at £nil valuations. These 105 assets include off-street car parks, piers, boat moorings and shelters. The categories should be reviewed and assigned valuations in accordance with the Code of Practice on Local Authority Accounting

1.14   Within the Asset Register, 11 assets (valued at £740,054) were identified which were not owned by the Council. These assets include Brum Villa, Stable Cottage Rothesay, Rosneath Community Education Centre and Loch Lomond Park Centre. We consider that the existing asset valuation process should be amended to ensure that tests to confirm legal ownership are included. A standard form exists to inform Finance of the acquisition, transferral or disposal of assets, but these forms are rarely used and this process needs to be improved.

1.15   Five properties were identified where the asset register classifications and valuations appear inconsistent with the nature and use of the assets. These assets should be reviewed to ensure that valuations and classifications are soundly based.

1.16   Asset Management is a wider concept than Asset Accounting. This audit review also considered whether other non-financial aspects of the asset management planning process are adequate to support the introduction of the Asset Management Plan, within the context of a Prudential Code[1] Framework to comply with Part 7 of the Local Government in Scotland Act 2003.

1.17   In 2000 the Audit Commission, in England and Wales, outlined the key data required for an authority to be able to prepare a meaningful asset management plan. The adequacy of existing data held by Argyll & Bute Council was variable and additional data is required. The data, where available, is held across a number of Council systems and in some cases the data is inconsistent between systems. A

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[1] CIPFA "The Prudential Code for Capital Finance in Local Authorities"

comprehensive single source of data should be developed to provide the information required to support an Asset Management Plan.

1.18   It should be understood that weaknesses highlighted in this report are only those that have come to our attention during normal audit work in accordance with the Code of Audit Practice and therefore are not necessarily all of the weaknesses that may exist.

1.19   The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent from the Argyll and Bute Council Internal Audit Manager and Audit Scotland.

1.20   The factual accuracy of the content of this report, and the remedial action to be taken, has been agreed in discussion with the appropriate officials.

1.21   The co-operation and assistance afforded to audit staff during the course of the audit are gratefully acknowledged.

Conclusions

1.22   Our overall conclusion is that current procedures provide inadequate control over the management of the Council's property assets. There is a strong possibility, that without remedial action, there will be a misstatement of the property assets in the financial statements, but this cannot be quantified due to insufficient information. Current data sources and IT systems do not facilitate the collection and maintenance of sufficient information to support the introduction of a corporate asset management plan.

2.   Action Plan

	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
1	The Council should decide whether a single asset management and asset register system should be adopted. **Priority: High**	Chief Asset Manager	The decision on this will be taken when the Chief Asset Manager is in place.	30 September 2004	It cannot be determined as yet when the Chief Asset Manager will be in post. A new date of 31 December 2004 has been set as a more realistic date.
2	The number of properties in the existing Property Register and Asset Register are to be fully reconciled. **Priority: High**	Estates Manager	The reconciliation will be carried out.	30 April 2004	To be completed Week ending 7 May 2004
3	The 295 assets, which appear on the Property Register but are not included on the Asset Register, are to be investigated and added to the Asset Register, if appropriate. **Priority: High**	Estates Manager Finance Manager – Development Services	The Asset Register will be updated as appropriate following the completion of the reconciliation.	7 May 2004	On Target
4	The 74 assets included within the Asset Register but not the Property Register is to be investigated and the Asset Register records validated or removed. **Priority: High**	Estates Manager Finance Manager – Development Services	The Asset Register will be updated as appropriate following the completion of the reconciliation.	7 May 2004	On Target
5	A unique Gazetteer reference should be included in Registers to assist cross-referencing. **Priority: High**	Chief Asset Manager	The decision on this will be taken when the Chief Asset Manager is in place.	30 September 2004	See 1 above.
6	A complete review of title deeds is to be undertaken to confirm the completeness of the Asset Register **Priority: High**	Head of Legal and Protective Services	The review of title deeds will be carried out.	30 September 2004	On Target

	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
7	All off-street car parks, piers, moorings and shelters (105 assets) are to be classified and valued appropriately. **Priority: High**	Estates Manager Finance Manager – Development Services	The treatment of these types of asset will be reviewed.	30 April 2004	To be completed week ending 7 May 2004
8	The 11 assets on the Asset Register that are no longer owned by the Council are to be reviewed and, if appropriate, removed. **Priority: High**	Finance Manager – Development Services	The assets will be reviewed and the Asset Register updated as appropriate.	30 April 2004	To be completed week ending 7 May 2004
9	Revaluation procedures are to be amended to include a confirmation of legal ownership. **Priority: Medium**	Estates Manager	To include within the revaluation process a check on ownership.	30 September 2004	On Target
10	The process of informing Strategic Finance of any asset additions or disposals is to be reviewed and broadcast to responsible officers in each Department. **Priority: Medium**	Finance Manager – Development Services	The process will be reviewed and responsible officers informed.	30 June 2004	On Target
11	The Asset Register is to be reviewed to ensure properties have been valued using an appropriate valuation method. **Priority: Medium**	Estates Manager Finance Manager – Development Services	The asset register will be reviewed for the method of valuation.	30 September 2004	On Target
12	The wording of the accounting policies and fixed assets notes in the Financial Statements is to be reviewed to ensure that this reflects the actual valuation methodology and is in accordance with Guidance. **Priority: Low**	Finance Manager – Corporate Accounting	The wording will be reviewed.	30 April 2004	To be completed week ending 7 May 2004
13	Appropriate property data is to be obtained in accordance with the timetable for the introduction of the asset management plan. **Priority: Medium**	Chief Asset Manager	The information will be obtained as required.	The timescale for this will be determined when the Chief Asset Manager is in place.	See 1 above.

	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
14	Property Services should formulate a working group made up of the internal contributors of property data to develop Asset Management. **Priority: Medium**	Chief Asset Manager	The decision on this will be taken when the Chief Asset Manager is in place.	The timescale for this will be determined when the Chief Asset Manager is in place.	See 1 above.
15	An exercise should be conducted to determine how compatible the current property IT systems are for supplying data for the corporate asset management system when this is developed. **Priority: Low**	Chief Asset Manager	The decision on this will be taken when the Chief Asset Manager is in place.	The timescale for this will be determined when the Chief Asset Manager is in place.	See 1 above.

1.   Executive Summary – Prudential Code

Introduction

1.1   We conduct our audit in accordance with Audit Scotland's Code of Practice. The Code makes clear that it is the responsibility of management to ensure that internal control systems are appropriate.

1.2   Interim audit activity, is largely concerned with undertaking reviews of selected systems. Our approach in 2003/2004 sought to obtain assurance, by systems review and testing, together with discussion with officers, as to the existence and effectiveness of a number of controls considered essential to ensure that reliance could be placed on the operation of the identified systems.

1.3   This report summarises the findings from our audit work and, where appropriate, makes recommendations to strengthen existing controls or otherwise address any identified weaknesses. It should be noted that the weaknesses recorded are only those which came to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses that may exist.

1.4   Our review covered the Council's arrangements in complying with the Prudential Code of Practice for Capital Finance in Local Authorities.

Summary of Main Findings

1.5   Argyll & Bute Council has made progress in setting its Prudential Indicators, revising the capital programme and agreeing its Treasury Management Strategy.

1.6   To comply with the relevant governance requirements however, the Council requires to amend its financial regulations, scheme of delegation and risk management strategy.

1.7   The Council also requires to develop an asset management planning system, incorporating an appropriate system of options appraisal.

1.8   Monitoring procedures for prudential indicators have been identified and it is expected that these will be introduced during 2004/2005.

1.9   The draft Prudential Indicators submitted to the Council on 12 February 2004 contained a number of errors. These have since been revised, following audit review, and resubmitted to the Council on 31 March 2004, when the capital programme was considered and approved.

2.   Action Plan

No	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
1	The Council is to bring forward measures to accommodate projects now classified as revenue in nature for 2005/2006 and 2006/2007 prior to the 2005/2006 budget setting exercise. **Priority: High**	Head of Strategic Finance	Agreed	31 October 2004	On going
2	Officers should calculate the outstanding Incremental Cost of Borrowing indicator. **Priority: Medium**	Head of Strategic Finance	Action on this will be deferred pending clarification from CIPFA. We believe that the capital plan is supported by loan charge support and within council tax levels set and indicated so no implications for these arise. Given the differing views on this indicator clarification for future years will be sought from CIPFA.	30 June 2004	On going
3	Consideration should be given to implementing a series of local indicators where this is deemed appropriate. **Priority: Low**	Head of Strategic Finance	This is not considered a priority. Once compulsory requirements have been bedded-in, consideration will be given to this. At this stage it is not clear what further indicators would be meaningful and helpful to arrangements.	31 March 2006	On going

No	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
4	Officers are to update the Corporate Risk Management Strategy and Risk Register to incorporate risks relating to the prudential code to ensure that risk and uncertainty are considered in determining the affordability of the capital plan under the Prudential Code. **Priority: Low**	Head of Strategic Finance	Agreed	31 March 2005	On going
5	Officers are to devise and implement a suitable project option appraisal process. **Priority: Medium**	Head of Strategic Finance	Agreed	31 March 2005	On going
6	The Financial Regulations and Scheme of Delegation are to be revised to incorporate the requirements of the Prudential Code. **Priority: Medium**	Head of Strategic Finance	Agreed	30 June 2004	On going
7	Officers are to implement monitoring and reporting arrangements as proposed. **Priority: Medium**	Head of Strategic Finance	Agreed	31 July 2004	On going

ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
FINANCE   **27 MAY 2004**

REPORT ON 2003/2004 INTERNAL FINANCIAL CONTROL STATEMENT (IFCS)

1. **SUMMARY**

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. For the Council's annual accounts for the financial year 2003-04 it is the responsibility of Internal Audit to provide an annual overall assessment of the robustness of the internal financial control system (IFCS) for the Chief Executive. (See Appendix 1).

2. **RECOMMENDATION**

2.1   The contents of this report are noted.

3. **DETAILS**

3.1   The main objectives of the Council's internal financial control systems are:
- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

3.3   Evaluation of the control environment is informed by a number of sources:
- The work undertaken by internal audit during the year to 31 March 2004;
- The assessment of needs completed during the preparation of the strategic audit plan;
- Reports issued by the Council's external auditors, Audit Scotland.
- Internal Audit knowledge of the Council's governance, risk management and performance monitoring arrangements.

3.4   The statement has 2 sections in which Internal Audit is required to give an opinion on the Council control environment. The first is on matters brought forward from last year. The second is new matters arising in 2003/2004. Directors internal financial control statements are being prepared to support the overall statement of control prepared by the Head of Strategic Finance for the Council.

3.5   The attached statement is in Draft format and maybe updated further until Audit Scotland completes their review of the Council's Annual Accounts for 2003 – 04.

4. **CONCLUSIONS**

Except for the items listed in the IFCS in Appendix 1, it is the opinion of Internal Audit, based on the audit work carried out to date, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control systems in the year to 31 March 2004.

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   04 May 2004.
04mayfinalreport04may

INTERNAL FINANCIAL CONTROL STATEMENT
2003-2004

DRAFT

To the members of Argyll & Bute Council, the Head of Strategic Finance and the Chief Executive

As Internal Audit Manager of Argyll & Bute Council, I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Council for the year ended 31 March 2004.

Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Internal Audit Manager to provide an annual overall assessment of the robustness of the internal financial control system.

Sound internal controls

The main objectives of the Council's internal financial control systems are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;

- To safeguard assets;

- To secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and

- To ensure compliance with statutory requirements.

Any system of financial control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal financial control.

The work of internal audit

Internal Audit is an independent appraisal function established by the management of an organisation for the review of the 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 Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The section undertakes an annual programme of work approved by the Audit Committee based on a 3-year strategic audit plan. The strategic audit plan is based on a formal needs assessment process, which is revised on an ongoing basis to reflect evolving risks and changes within the Council.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters arising from internal audit work are reported to the Head of Strategic Finance, The Chief Executive and the Council's Audit Committee.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by internal audit during the year to 31 March 2004;
- The assessment of needs completed during the preparation of the strategic audit plan;
- Reports issued by the Council's external auditors, Audit Scotland.
- Internal Audit knowledge of the Council's governance, risk management and performance monitoring arrangements.

Opinion

Except for the following listed matters it is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal financial control system in the year to 31 March 2004: -

Matters brought forward from previous year

- Revisions to the Contract Standing orders were to be made to overcome the inadequacy of capital control guidelines. This exercise was found to be still outstanding and is scheduled to be complete by 31 July 2004.

- Capital project management disciplines were to be improved. Management has taken some steps to address this issue but has not yet fully completed and approved a guidance handbook of procedures. This is scheduled to be complete by 31 July 2004.

- Whilst the building maintenance activity has achieved a surplus in 2003 – 2004 and an action plan is in place and being monitored, the financial position of the building maintenance activity in previous years has resulted in significant shortfalls for the Council. The performance of the building maintenance activity will therefore require careful monitoring on an ongoing basis.

New Matters

- A Risk Management Register has been prepared but a Risk Management Strategy has yet to be completed and approved. The Risk Management Register also requires review and updating.

- A recent audit of operating leases systems and controls revealed 13 weaknesses considered fundamental to the effective management of operating leases. Management is in the process of addressing the weaknesses identified.

- A recent joint internal/external audit of the management of the Councils property assets indicated 15 weaknesses considered fundamental to the effective management of assets. Management is looking to address the majority of these weaknesses prior to the issue of the 2003 – 2004 final accounts.

- Asset management planning underpins and is essential to supporting the Council's compliance with the Prudential Framework. The Council is still to develop its asset management strategy/plans. This work is currently underway.

Ian Nisbet, MBA MSc ACMA

Internal Audit Manager

HQ Kilmory

04/05/2004

misc/audit/internalcontrolstatementfinaldraft

ARGYLL & BUTE COUNCIL
FINANCE

AUDIT COMMITTEE
27 MAY 2004

INTERNAL AUDIT ANNUAL REPORT 2003 - 2004

1. **SUMMARY**

    This report introduces the Internal Audit Annual Report for 2003 – 2004 and covers the duties and audits carried out in 2003 – 2004. (See Appendix 1).

2. **RECOMMENDATIONS**

    2.1 The Internal Audit Annual Report for 2003 - 2004 is approved.

3. **DETAILS**

    3.1 The report appended lists the audits that were scheduled for the financial year 2003 – 04. The objective of the report is to advise members of internal audit standards, current practices, final status of audits and provide an overall comment on the work of Internal Audit in 2003 – 2004.

    3.2 This report condenses a number of single reports passed to the audit committee regarding internal audit standards, audits performed, their analysis and performance measurement.

    3.3 The report is still in the process of being updated but will be completed by May 2004 in time for the Audit Committee meeting on 27 May 2004. The report will be further updated to the next Audit Committee to reflect the final position for 2003 – 2004.

4. **CONCLUSIONS**

    The Internal Audit Annual Report will be a regular annual report.

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 04 May 2004.

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Internal Audit Annual Report

2003 - 2004

April 2004

APPENDIX 1

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APPENDIX 1

1. MISSION STATEMENT

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

2. TERMS OF REFERENCE

Objectives

- To assist the Council and its Strategic Management Team in their governance responsibilities: that is, to support them in creating a mechanism to deliver an effective and efficient risk management and control framework; and to assist them in the corporate governance reporting process.

- To provide assurance on the adequacy of control within the Council's systems and activities: that is to comment on and recommend appropriate changes to mechanisms put in place by management to ensure systems and activities achieve their objectives; and to bring deficiencies therein to the notice of operational management and ultimately to the Audit Committee.

- To advise management on cost effective controls for new or modified systems and activities;

- To highlight opportunities to reduce costs through greater economy and efficiency within systems and activities.

- Internal Audit areas of focus include:

  - Internal control effectiveness

  - Statutory, procedures and control compliance

  - Implementation of recommendations

  - Corporate governance

  - Systems development

  - Process improvement

  - Value for money and Best Value

Over time it is envisaged that the function will increase the proportion of performance reviews of operational systems, value for money and contribute to Best Value Audit.

Scope

The scope of internal audit includes the examination and evaluation the adequacy and reliability of the Council's system of internal control. Internal Audit's work provides assurance across all of the Council's activities regarding the extent to which management controls ensure that:

- significant risks are identified, assessed and appropriately managed;

- objectives are established and achievement against them is monitored;

- the Council's assets are safeguarded from significant losses, including those caused by fraud, waste, inefficiency and commercially unsound practices;

- relevant laws, rules and regulations are complied with;

- operations are conducted effectively, efficiently and economically;

- operations are conducted in accordance with Council policies and procedures;

- management information systems are reliable and secure;

- systems under development are monitored, that appropriate internal controls are built in and are consistent with the organisations' needs;

- major Council projects achieve their objectives; and

- throughout the Council's activities it can demonstrate good governance.

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

3.   MAIN SERVICES AND REPORTING

To fulfil our responsibility the main services provided are:

CORE FINANCIAL AUDITS

The documentation, evaluation and testing of financial and management information systems providing an opinion as to the adequacy of control and offering suggestions and advice to enable rectification of systems weaknesses and assist in the effective management of compliance and risk control.

NON - CORE FINANCIAL AUDITS

The review of specific areas of activity where management feel that an independent review by internal audit will assist them in developing and better managing issues their services face in terms of performance and best value. It is within this element of the annual audit plan that direct audit assistance is obtained from KPMG our partners who provide specialist control evaluation of hardware, software and the IT environment, offering suggestions and advice as above.

SPECIAL INVESTIGATIONS

We offer advice and assistance to all levels of management on control and risk management. Internal Audit carries out reviews of issues reported by management. The type of work done can range from advice to investigation of irregularities. The issues once investigated usually lead to the enhancement of risk management strategies or activities.

REPORTING

Audit Committee

At each Audit Committee throughout the year issues pertaining to the progress of the audit programme in terms of planned to actual are passed to the Audit Committee for their advice. Recommendations made by external audit are followed up and progress regarding implementation reported to the Audit Committee. At the culmination of the years audit work an annual report is prepared and presented to the Audit Committee. Our annual report provides an overall audit opinion as to the adequacy of the control environment within the Council. This has been derived from the Internal Financial Control Statement (IFCS) passed to the Section 95 Officer and Chief Executive to enable them to place their statement in the Annual Accounts.

Auditees

With regard to internal audit reporting on audits carried out, we provide management with an independent and objective opinion on the control environment by taking into consideration the review of internal controls and risk, and recommend changes where appropriate in agreement with management. The internal audit work undertaken is reported to clients, either in the form of a report or a memo whichever is the most relevant. Our reports are in a standard format which gives a pictorial view of the findings of each audit and ranks their importance in severity of control weakness. All report findings are discussed with management for their collective buy-in to our findings. Follow-up reviews are planned within the audit plan.

Set out below is the classifications used by Internal audit when reporting our findings.

Fundamental	Major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error
Material	Observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced it if were rectified
Minor	Minor recommendations to improve the efficiency and effectiveness of controls and one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way

4.   EXTERNAL AUDIT

The relationship operated by Internal Audit with the Council's External Auditors is one of joint working where we try to either avoid areas of duplication and in other areas work jointly on large system control issues. Consultations are held on a regular and informal basis to co-ordinate work and we use Audit Scotland audit programmes to carry out our audit work. In 2003 – 2004 a joint audit was carried out between Audit Scotland and Internal Audit covering

the Council's arrangements for Asset Accounting and Asset Management. The audit identified a number of key issues and recommendations for the Council and management are currently addressing these.

On an annual basis Audit Scotland carry out an evaluation of Internal Audit work the outcome of which is published in their Annual Accounts report. For 2002 – 2003 Internal Audit received a favourable report and we would hope that this would continue for 2003 - 2004.

Audit Scotland conducted a review of all local authority internal audit provision across Scotland in the autumn of 2000 this culminated in the issue of a report in August 2001 entitled, "A job worth doing". Its assessment of internal audit compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government was to place Argyll and Bute in the bottom quartile of authorities in Scotland. As a result the Council appointed KPMG to act as a partner to internal audit to assist and advise on best practice.

With the support of KPMG over the last two years internal audit systems have improved and in January 2004 Audit Scotland carried out a follow up review exercise to see whether any improvement had taken place. It is anticipated that the results of the exercise will show a substantial improvement in compliance with the code has occurred. The results of the review will be published in a report around August 2004.

5.   STATEMENT ON INTERNAL FINANCIAL CONTROL

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. For the Council's annual accounts for the financial year 2003-04 it is the responsibility of Internal Audit to provide an annual overall assessment of the robustness of the internal financial control system (IFCS) for the Chief Executive.

The main objectives of the Council's internal financial control systems are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

  Evaluation of the control environment is informed by a number of sources:

- The work undertaken by internal audit during the year to 31 March 2004;
- The assessment of needs completed during the preparation of the strategic audit plan;
- Reports issued by the Council's external auditors, Audit Scotland.
- Internal Audit knowledge of the Council's governance, risk management and performance monitoring arrangements.

The statement has 2 sections in which Internal Audit is required to give an opinion on the Council control environment. The first is on matters brought forward from last year. The

second is for any new matters arising in 2003/2004. Internal financial control statements for departmental Directors have also been prepared and signed to support the overall statement of control prepared by the Head of Strategic Finance for inclusion in the Council's Annual Accounts.

6. PROGRESS ON ANNUAL AUDIT PLAN 2003 – 2004

Below is the list of audits that were scheduled for the financial year 2003 – 04. The objective of the report is to advise members of the final status of each audit.

A total of 31 audits were planned these can be broken down into the following categories:

- 20 Core Financial Systems Audits and
- 11 Non Financial Systems Audits.

Additional to the above Internal Audit carried out special investigations follow up reviews and external audit work.

Of 20 Core Financial Systems audits, one audit Purchase Ordering & Certification was amalgamated with another audit for efficiency reasons. This was reported previously to the Audit Committee.

Of the 19 audits 14 have been completed with final reports issued with agreed implementation plans and 4 are presently at draft stage. The remaining audit is currently being worked on and will be completed shortly.

Of 11 Non Core Financial Systems audits, 2 audits are to be completed by KPMG, one for the Catering & Cleaning and the other for IT/MIS Strategy & Controls, it is anticipated that they will be completed by the end of May 2004. For the remaining 9 audits final reports with implementation plans have been issued for 6 with the remaining 3 at draft stage for final issue in May. The number of audit days expended up to April 2004 is given in Appendix 2. This will be updated to reflect the final position when all audits have been completed.

Throughout 2003 – 2004 internal audit resources have been tight and towards the end of the financial year an additional resource was brought in on a contract basis to assist with audit plan delivery. This allowed the internal audit plan to progress resulting in the annual audit plan being completed.

Additional to the above internal audit completed a number of special investigations. Also follow up reviews were carried out for reports issued in the previous financial year by both internal and external audit.

Audit Opinion

Based on audit work carried out to date, we are of the opinion that the Council's systems provide a reasonable assurance regarding the effective and efficient achievement of the Council's objectives. We have indicated in our audit reports certain matters, which we understand are being addressed by local management; our opinion on the Council's systems is based on recommendations being satisfactorily implemented. Additional assurance has been given in an Internal Financial Control Statement (IFCS) prepared by internal audit and is the

subject of a separate report to the Audit Committee.

In conclusion, the audit plan for 2003 – 2004 will be effectively completed in May 2004. The Audit Committee is asked to accept the assurances provided by internal audit, based on the 2003 – 2004 audit work completed.

7. AUDIT ANALYSIS of 2003 - 2004

Whilst there has been some slippage against the actions identified and their target dates, the bulk of the planned activity has been achieved, particularly:

- Quarterly reports are prepared for the Audit Committee advising of progress with the Annual Audit plan;
- A joint audit was carried out on a major system between Internal Audit and Audit Scotland;
- A higher percentage of audits were carried out by qualified staff in 2003 – 2004 than the previous year;
- Analysis of returned client questionnaires indicated that an average score of 3.5 has been achieved so far for all completed audits the highest achievable mark being 4;
- Regarding the implementation of internal audit report recommendations by the client it was reported that 100% of all fundamental recommendations were agreed and a 100% for major and minor recommendations against a target of 80% was also agreed; and.
- Audit Committee Internal Audit Performance Indicators and an explanation of the results achieved in 2003 – 2004 is given below in Section 9.

8.   SPECIAL INVESTIGATIONS

Council Standard Orders require management to report all suspected irregularities or issues requiring investigation to Internal Audit. In practice, many of these are resolved best by management investigation and action, with support and advice from Internal Audit. All advice, investigation and irregularity issues are recorded and it is possible to ascertain what control issues have occurred.

This information can then be used as part of the assessment of relative risk in the process of preparing the annual audit plan and also in advising managers across the Council of potential risks and opportunities to strengthen controls. This is done through our quarterly report that we issue to Directors and Heads of Service entitled Audit Focus.

During 2003 – 2004, 10 instances of issues and irregular activity were reported to and investigated by Internal Audit. Where required internal audit can call on external professional resources to assist with particular technical aspects of an investigation as and when required. Summarised below by directorate are the number of days expended against departments.

APPENDIX 1

2003 – 2004 Directorate	Number of Days Expended
Chief Executives Unit	14
Corporate & Legal	12
Finance	14
Information Technology	0
Development & Environment	35
Transportation & Property	48
Housing & Social Work	6
Education	9
Total	**138**

The table below is the further breakdown of the above table indicating the type of issues that were covered.

TYPE OF ISSUE REPORTED	C & L	F I N	D E S	T P S	H S W	C. E X
Irregularity	✔			✔	✔	
Advice & Assistance	✔	✔	✔	✔		✔

9.   INTERNAL AUDIT PERFORMANCE MEASUREMENT

At the outset of the financial year 2003 – 2004 Internal Audit was tasked to measure the performance of its service delivery. This was to allow comparison to be made year-on-year and to set targets for improvement and by meeting such targets, the Audit Committee could have confidence that Internal Audit were delivering a quality service.

In total there were 11 performance indicators agreed by the Audit Committee in 2002 for Internal Audit to adhere to and were set out under two headings Input and Output:

- 6 Input indicators and
- 5 Output measures.

The tables below set out the performance measures and the performance of internal audit for the financial years 2002 – 2003 & 2003 – 2004. A comment has been made for each performance indicator. Internal Audit will strive to maintain the quality standards achieved and where appropriate make improvements.

INPUT PERFORMANCE MEASURES AS AT 30 APRIL 2004

Ref	Performance Indicator	Target	Achieved 2003 - 2004	Comment
1.	Percentage of audit work carried out by qualified and specialist staff.	65%	80%	As at 30 April 2004. Qualified staff has carried out more audits this year.
2.	Issue of draft reports within 10 working days of work being completed.	10 days – 100%	96%	As at 30 April 2004. This target was met in overall terms. However, one audit draft report was issued over 10 working days after fieldwork had been completed. The draft report for Property Asset Management was issued late due to joint working with Audit Scotland not being taken fully into account. However this is seen as a learning curve for the future.
3.	Issue of final reports within 5 working days of management responses being received.	5 days – 100%	100%	As at 30 April 2004. This target was met in overall terms.
4.	Reports display: clear opinion; action plan of prioritised recommendations and management responses; a person responsible; and date for completion.	All reports (100%) state a clear conclusion/opinion, contain and action plan, prioritised recommendations, allocated responsibility and target dates for completing recommendations.	100%	As at 30 April 2004. All quality issues met.
5.	Management's feed back on audit planning and fieldwork.	To achieve 'average' or better in questionnaire ratings. (i.e.: a mean score of '3' or more for each question	3.5	As at 30 April 2004. At this stage the current average equals that achieved last year.
6.	Percentage of time direct audit time	67% revised to 81%	81%	This was set through Audit Committee agreement.

OUTPUT PERFORMANCE MEASURES AS AT 30 APRIL 2004

Ref	Performance indicator	Target	Achieved 2003 - 2004	Comment
1.	Audit operational plan to be submitted to the audit committee by 31 March each year.	31 March of each year (100%)	100%	2003-04 Audit plan submitted to Audit Committee on 20 February 2004.
2.	Follow-ups to be performed within one year of the audit-taking place.	100% of recommendations followed up in following year	94%	As at 30 April 2004. In one case the follow up date was not achieved but a follow up review has now been completed.
3.	Completion of overall assignment in the annual plan (in budgeted time), subject to variations agreed by audit committee, and if appropriate, audit managers.	100%	100%	As at 30 April 2004. Audit Assignments were completed within the overall budgeted days.
4.	Recommendations accepted compared to recommendations made.	Fundamental – 100%

Material and minor - 80% | 100%

100% | As at 30 April 2004.

As at 30 April 2004. |
| 5. | Internal audit costs are within budget (including in-year budget variations) | 100% (Total costs within budget) | 100% | As at 30 April 2004. |

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APPENDIX 2

Assessment of audit days: 2003-2004 strategic plan

AUDIT WORK SCHEDULE	Last audited	Risk ranking 2003 - 04	Original Estimated Audit Days 2003-04	Revised Estimated Audit Days 2003-04	Actual Audit Days 2003-04	Balance
Core financial systems						
COMPLETE						
Budgetary preparation & control	2002-03	1	20	21	17	4
Debtor Accounts	2002-03	1	20	21	14	7
Stock taking	2002-03	1	27	28	12	16
Cash & Income Banking	2002-03	2	20	21	20	1
Council Tax & NDR	2002-03	2	30	31	22	9
Registration of Births, Marriages & Deaths	2001-02	3	15	16	15	1
Direct Transport Costs	2000-01	4	20	21	21	0
Unified Benefits System	2002-03	2	30	31	22	9
Contract Hire & Operating Leases	2000-01	5	20	21	27	-6
Car Allowances	2002-03	3	20	21	21	0
Payments to Voluntary Associations	2000-01	4	20	21	21	0
Treasury management	2002-03	2	20	21	29	-8
Government grants	2002-03	1	20	21	21	0
General Ledger Operations	2002-03	2	20	21	26	-5
Public Transport Costs	2000-01	6	20	21	16	5
Creditor E-Procurement	2002-03	2	60	61	52	9
Tendering Procedures	2002-03	3	20	21	20	1
Payroll	2002-03	3	30	31	39	-8
STARTED						
Purchase of Equipement & Materials	2002-03	2	20	21	0	21
Section Total			**452**	**471**	**413**	**58**
Non-financial systems / Best Value / VFM						
COMPLETE						
DLO Building	2002-03	1	20	41	65	-24
Performance Indicators	2002-03	1	40	41	88	-47
Best Value Reviews	2002-03	3	30	31	31	0
PMP	2002-03	3	33	35	35	0
DES Campbeltown Community Project	2002-03	3, 6	20	35	35	0
Housing & Social Work	2002-03	9, 10	30	21	19	2
Property Asset Management	2002-03	2, 8	20	21	27	-6
Education NPDO	2002-03	3, 4, 11	40	36	45	-9
Corporate governance compliance/risk management	2002-03	1	50	36	11	25
KPMG STARTED						
IT/MIS Strategy & Controls	2002-03	1	30	31	0	31
DSO Catering & Cleaning	2002-03	4, 7, 9	35	31	0	31
Section Total			**348**	**359**	**357**	**2**
Actual Direct Audit Time			**800**	**830**	**770**	**60**
Special investigations contingency	-	-	100	160		22
Fleet Management					5	
Petty Cash - Helensburgh					5	
Overpayment of Rent (Roxburgh)					7	
HR Payroll					28	
TPS - Oban (Kilbowie House)					43	
Argyll College					9	
Petty Cash Shortage					1	
Dangerous Buildings					35	
HSW Petty Cash					1	
Housing					4	
Section Total			**100**	**160**	**138**	**22**
Other Areas						
Follow-up external audit management letter	-	-	20	30	44	-14
Risk assessment, strategic plan, annual plans	-	-	20	20	3	17
Internal audit follow up Section Total	-	-	40	40	30	10
Section Total			**80**	**90**	**78**	**12**
TOTAL			**980**	**1080**	**985**	**95**

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| ARGYLL & BUTE COUNCIL | AUDIT COMMITTEE |
| FINANCE | 27 MAY 2004 |

ANNUAL AUDIT PLAN 2004 - 2005

1.   SUMMARY

The Audit Committee was provided with an overview of the 2004 – 2005 audit plan, which was approved by the Audit Committee on the 20th February 2002. The report attached in Appendix 1 outlines in detail the areas that will be audited in 2004 – 2005, and therefore complies with a recommendation made by Audit Scotland to provide additional information to auditees.

2.   RECOMMENDATIONS

2.1   The Annual Audit Plan for 2004 - 2005 is approved.

3.   DETAILS

3.1   Attached is our proposed Annual Internal Audit Plan, which has been presented to the Strategic Management Team (SMT). It provides detail as to the proposed time and areas we intend to audit in 2004 – 2005. The areas were agreed as part of the overall 3-year audit plan for the years 2002 – 2005.

3.2   This document increases the awareness amongst departments regarding audit objectives and it is hoped will aid planning and preparation.

3.3   Within the attached document is a chart showing when the 2004 – 2005 audits are planned for. However, these could be subject to change and should only be viewed as an indication. With regard to the section headed Scope and Objectives, this outlines what is intended to be covered with each audit.

4.   CONCLUSIONS

The Audit Plan addresses the key areas highlighted in the Audit Needs Assessment and will provide an annual assurance statement on the Council's overall internal audit framework.

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 04May2004.
04mayprogreport04May

Argyll and Bute Council

Annual Audit Plan 2004 – 2005
April 2004

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- Annual Audit Plan 2004- 2005 Chart.

- Scope & Objectives for areas outlined in the Audit Annual Plan 2004 – 2005.

ANNUAL AUDIT PLAN 2004 - 2005

Core Financial Systems	Risk Ranking	Last Audited	Audit Days 2004-05
Budgetary preparation and control	1	2003/04	16
Debtor accounts	1	2003/04	21
Government Grants	1	2003/04	21
Stock taking	1	2003/04	16
Cash and income banking - Oban	1	2003/04	21
Housing Rents	1	2003/04	21
Capital Accounting	1	2003/04	21
Council tax and non-domestic rates	2	2003/04	31
E-Procurement Creditors	2	2003/04	31
Purchases of equipment and materials	2	2003/04	21
Unified benefits system	2	2003/04	51
General ledger operations	2	2003/04	21
Treasury management	2	2003/04	21
Car allowances	3	2003/04	21
HR Payroll	3	2003/04	43
Purchase ordering and certification	3	2003/04	31
Tendering procedures	3	2003/04	21
Capital Contracts – Selection of Contracts	3	2003/04	21
Direct transport costs	4	2003/04	21
Following Public Pound Voluntary Organisations	4	2003/04	21
Subtotal Core Financial Systems			**492**

Non-Core Financial Systems / Best Value / VFM	Risk Ranking	Last Audited	Audit Days 2004-05
Council Wide - PI's	1	2003/04	43
Council wide - Corporate Gov.	1	2003/04	32
Council wide - BV Interim & PMP	3	2003/04	67
Operational Services - Roads Project	2, 8	2003/04	21
Significant Trading Operations	1	2003/04	21
Catering & Cleaning	4, 7, 9	2003/04	48
Community Services - Transport	3, 4, 11	2003/04	21
Housing/Social Work	9,10	2003/04	21
Development Services – e-Planning	3, 6	2003/04	21
Corporate Services IT	1	2003/04	32
Sub Total Non-Financial			**327**

Special Investigation/ Risk Assessment/ Follow-up	Risk Ranking	Last Audited	Audit Days 2004-05
Special investigations contingency	n/a	n/a	160
Risk assessment, strategic plan, annual plans	n/a	n/a	30
Follow-up external audit management letter points	n/a	n/a	21
Internal audit follow up	n/a	n/a	50
Sub Total SI/Risk/Follow-up			**261**
Total			**1080**

1 Scope and Objectives 2004 – 2005

1.1 2004 - 2005 Planned Objectives

1.1.1 The following sections outline the broad scope and objectives for the reviews identified for 2004-2005.

1.2 Budgetary Control - Education

1.2.1 The Community Services Department will be audited and the following areas reviewed:

■ The responsibilities of Officers and Members for the setting and control of budgets are properly defined;

■ Budgets are set in accordance with pre-determined approved policy objectives;

■ Revenue items are properly controlled by the effective periodic monitoring of financial out-turns against detailed budgets;

■ Virements are managed and controlled effectively;

■ Significant variances are promptly identified, reported and acted upon; and

■ The system contributes to the body's ability to demonstrate that resources are being used in an economical, effective and efficient way.

1.3 Debtor Accounts

1.3.1 The 2002/03 internal audit concentrated on debtor procedures in the departments with the most sundry debtors. These were Transportation & Property Services, Development & Environment Services, & Housing & Social Work). The 2003/04 audit examined the collection and follow up procedures in force in the Debtors Section. Invoicing and debt recognition procedures in place in Community Services will be reviewed in 2004/05. The specific objectives of this review will be to assess whether:

■ Invoices are properly raised and posted for all chargeable services;

■ Invoices are issued promptly;

■ Payments received are promptly processed and correctly posted to debtors' accounts;

■ Write-offs, cancellations and credit notes are properly controlled; and

■ Arrears follow-up procedures are properly controlled.

1.4 Government Grants

1.4.1 The audit for 2004/05 will concentrate on Education and Grant Funding. Various grants claims and other grants are received by the Council from the Scottish Executive and cover housing, social work, education and benefit subsidies.

1.4.2 The specific objectives of this review will be to assess whether:

■ Education Grants are identified and applications made in accordance with grant requirements;

■ Grants are only applied to the purposes provided;

■ Amounts receivable / received are complete;

- The use of Government Grants is planned and controlled; and

- Adequate monitoring and reporting mechanisms are in place for management information.

1.5 Stocktaking 2003/04 & 2004/05

1.5.1 The specific objectives of this review will assess whether:

- Systems are in place for maintaining accurate stock records;

- Stock is held in a secure environment; and

- Adequate procedures are in place for management to count stock at year-end;

1.5.2 A selected amount of stocktaking will be completed to assist the external auditor.

1.5.3 A check will be carried out on WiP and stock certificates for reasonability as to accuracy.

1.6 Cash and Income Banking

1.6.1 The audit for 2004 – 2005 will concentrate in particular on Kilbowie House to ensure compliance has been achieved with agreed guidelines:

- Officers receiving cash are unable to misappropriate funds without detection;

- Cash is promptly and fully banked;

- Payments received are promptly processed and correctly recorded in the financial ledger;

- Security for non-banked cash is adequate;

- Income arrears procedures are properly controlled; and

- To ensure that proper controls are in place for reconciliation on a weekly and/or monthly basis.

1.7 Housing Rents

The collection and control of rents of properties within the Housing Revenue Account is carried out within the Housing Management Division of the Community Services Department. The functions carried out include rent collection, arrears control and void control.

Argyll and Bute Council has approximately 6500 houses in its Housing Revenue Account with a gross debit of about £13.5 million. The responsibilities for the management of these houses are de-centralised to 7 Area offices and 3 Sub offices throughout the Council area.

1.7.1 An audit of Housing Rents was carried in 2002/2003 and a number of objectives were reviewed and recommendations made. This year the audit will concentrate on the following objectives which are set out below:

- Relevant properties are identified and included on the rent roll;

- Payments received are promptly processed and correctly posted to tenants' accounts; and

- Rebates, refunds and voids are properly controlled.

1.8 Capital Accounting & Treasury Management

This audit area and Treasury Management at 1.14 below are likely to have a combined focus for 2004/2005. Internal audit will spend time on following up issues outlined in both internal and external audit reports with regard to Asset Management and the review of how the Prudential Code is introduced with reference to the Council.

1.9 Council Tax & Non-Domestic Rates - Campbeltown

The audit of Council Tax & Non Domestic Rates has been significantly covered by both external and internal audit however the audit for this year will concentrate on following up previous audit comments with testing.

1.10 e-Procurement

1.10.1 This review will concentrate on the implementation phase of e-Procurement as it is rolled out in Phase 1. In specific terms the audit will concentrate on the system and overall development of the management and operational controls:

- That there is a back up system for payments to be made if the e-procurement system develops operational problems.

- Procedures for adding to and removing contractors to/from the standing list, and for selecting tenderers, are properly controlled;

- Payments are made only to valid creditors;

- Payments are correctly recorded in the financial ledger; and

- Procedures for evaluating tenders and selecting successful tenders are properly controlled.

1.11 Purchases of Equipment and Materials

1.11.1 This audit and Purchase Ordering & Certification 1.17 are two audit areas that in previous years have been combined due to their similarity. For operational reasons it was thought best for a department to have their full process reviewed as any recommendations covered both audit areas. For the audit in 2004/2005 there is a requirement for a review to be carried out across all departments.

1.11.2   The objectives of this review will assess whether:

- Payments are made only for equipment and material which were the subject of authorised orders;

- Procedures for adding to and removing contractors to/from the standing list, and for selecting tenderers, are properly controlled;

- All invoices are properly authorised and paid at the appropriate time;

- Payments are made only to valid creditors;

- Payments are correctly recorded in the financial ledger; and

- Procedures for evaluating tenders and selecting successful tenders are properly controlled.

1.12 Unified Benefits System

In 2004/05 within Core Financial Systems it is intended to devote audit days above a normal allocation for the Unified Benefits System and Payroll audits. For the Unified Benefits System a total of 51 days have been assigned. The days are divided as follows:

- 21 days for the Housing Benefit Grant Claim for Audit Scotland
- 25 days for a Housing Benefits Systems Audit, and
- 5 days for a Follow up Review of the audit work done in 2003/04.

The specific objectives of this review will assess whether:

Council tax

- Benefit can be awarded only to valid applicants;

- Claims are accurately assessed and benefit calculated in accordance with Regulations;

- Claims are processed and determinations made within the timescales required by Regulations;

- Benefit awards are correctly recorded in the benefits system, the council tax debtors system and the financial ledger;

- Adequate steps are taken to prevent and detect fraud;

- Overpayments are recovered, where appropriate; and

- The annual subsidy claim is accurate and complete.

Housing benefits

- Benefit (rent rebate and rent allowances) can be awarded only to valid applicants;

- Claims are accurately assessed and benefit calculated in accordance with Regulations;

- Claims are processed and determinations made within the timescales required by Regulations;

- Benefit awards are correctly recorded in the benefits system, the rent accounting system and the financial ledger;

- Adequate steps are taken to prevent and detect fraud;

- Overpayments are recorded, where appropriate; and

- The annual subsidy claim is accurate and complete.

1.13 General Ledger Operations

1.13.1 An audit of this area has been carried out over the last two years and has concentrated on the main operations within the finance function however for 2004/2005 the audit will concentrate on a feeder system such as the Roads Costing System to the general ledger operations.

1.13.2 The specific objectives of this review will assess whether:

- Prior year balances are correctly brought forward;

- All data input to the system is properly authorised;

- Data from feeder systems is correctly and timeously transferred to the financial ledger;

- Output properly reflects the financial data within the system;

- Output is produced in accordance with a prescribed timetable and in a format which contributes to the financial management of the body; and

- The system contributes to the economic, effective and efficient management of the body's assets.

1.14 Treasury Management

1.14.1 The audit will be focused on the implementation of the Prudential Code and its financial implications for the Council. This could be the subject of a joint audit with Capital Accounting audit set out in 1.8 above.

1.15 Car Allowances – Development Services

1.15.1 As part of the 3-year audit plan we have endeavoured to audit the key areas where Car Allowances are significant. Up to and including 2003 – 2004 we have looked at Transport & Property Services and Social Work and this year we will look at Development Services. In particular we will look at whether:

- Car allowances are being claimed in accordance with Council policies and procedures;

- Car allowances are being paid to the appropriate individuals at the appropriate rates; and

- The Council is getting the best value for money from the current structure for car allowances.

1.16 HR Payroll

1.16.1 The focus of the HR Payroll review is the continued roll out for year one of the strategic HR Payroll to ensure that progress is being made against target across all departments and to establish that errors are being reported and dealt with in a timely basis. The specific objectives of the HR Payroll review will assess whether:

- New starter and change errors have been reduced to a minimum with authorised action having taken place;

- Critical path analysis has been adhered to with explanations for variances;

- Data (particularly standing data) is accurate and complete;

- Pays are correctly calculated in accordance with contracts of employment, pay scales, hours worked, other authorised allowances etc; and

- The system contributes to the body's ability to demonstrate that data transfer is now more economical, effective and efficient.

1.17 Purchasing, Ordering and Certification

- This audit will support the roll out of the e-procurement system and will be combined with the Purchasing of Equipment and Materials audit above at 1.11.

1.18 Tendering Procedures

1.18.1 An audit was carried out on Tendering within the 2003-2004 annual audit plan. It is therefore required that a follow up review is carried out to clarify the position in relation to implementation of report recommendations. The audit should also look at Health & Safety

and its role with Constructionline and the Council's own standing list. The specific objectives of this review will assess whether:

■ The new Council Standing Orders reflect the required changes for effective control;

■ Procedures for adding to and removing contractors from the standing list, and for selecting tenderers, are properly controlled with both Constructionline and Council list;

■ The Council list up to £25,000 are compliant with Council Standing Orders;

■ Valid submitted tenders are recorded and held securely prior to formal opening;

■ Tender opening procedures are properly controlled;

■ Tenders comply with European Journal regulations where necessary;

■ Only authorised alterations are made to tenders after the opening process; and

■ Procedures for evaluating tenders and selecting successful tenders are properly controlled.

1.19 Capital Contracts – Capital Programme

1.19.1 A review was carried out in 2003 – 2004 to evaluate the controls in operation with regard to the commencement of the Campbeltown project. This resulted in a report and recommendations some of which were pertinent to other projects. The audit for this year will be to look at other capital contracts to review the following:

■ The design satisfies the original project criteria;

■ The tendering process awards the contract to the most suitable contractor at the most advantageous price;

■ Work is properly supervised and executed to contract specifications;

■ The system ensures the preparation of accurate interim valuations and final accounts; and

■ All relevant information on the project is collected, evaluated and used to improve future performance.

1.20 Direct Transport – Fleet Management

1.20.1 The specific objectives of this review will assess and report on:

■ Verify that the authorisation process used by Fleet Management with user departments are sound in respect of formal procedures;

■ Report on compliance with Standing Orders;

■ Identify whether sufficient budget provision exists within either the Fleet Management or user departmental budgets to cover additional vehicle lease costs.

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1.21   **Following the Public Pound**

1.21.1   The Council committed over £1.4 million of financial support to arms-length organisations. External audit identified a need for the Council to design and implement an appropriate control mechanism to ensure that funding is used for the purpose intended.

1.21.2   The specific objectives of this review will be to assess whether:

- There is a record of the names of members or officers who sit on the boards and committees of external bodies;

- Applications are made in accordance with requirements;

- Funding to external organisations is specific and clearly stated, and

- A monitoring procedure is in place to ensure that available performance measures are collected and reported.

Non-Financial Audits

1.22 Council wide - Performance Indicators, Council PI's

1.22.1 The Council is required to collect, record and publish performance indicators to allow benchmarking with other local authorities and against the Council's own past performance. It needs to ensure its systems and processes are robust and operating efficiently and effectively to capture and report such information.

1.22.2 The broad objectives of this review will be to review the processes for reporting key performance indicators. Internal audit will select PI's for review in two ways, the first on variance from previous years figures of more than 2 % and secondly where PI's are in a Transitional, Change or New status. The remainder will be the subject of a desktop review. Departments and PI co-ordinators were advised of the requirement to maintain notes on variances so that back up is available for the auditor to check.

1.23 Corporate Governance Compliance / Risk Management

1.23.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) together published '*Corporate Governance in Local Government – A Keystone for Community Governance'*. This is a guidance note to assist Councils in achieving good practice corporate governance. As per last year an IFCS statement will be produced by internal audit identifying areas of significance along with Directors IFCS recognising that action has to be taken to resolve these issues.

1.23.2 The broad objective of this review will be to assess the arrangements put in place by the Council to implement the good practice guidance.

1.24 Best Value Audit Interim & Performance Management Planning (PMP)

1.24.1 A Best Value interim audit has just been carried out by external audit and time needs to be spent on how to develop an approach for taking the reports findings forward. This will be done in co-operation with Policy & Strategy staff. Additional to this a report by internal audit was produced in 2003 – 2004, which set out where the Council was in terms of the new best value approach. The recommendations from this report have to be reviewed regarding implementation status. This included annual performance plans setting out achievements and targets.

1.24.2 The specific objectives for the input from internal audit to best value include:

- Assessing and advising on the processes in place to manage best value;

- Advise on (or participate in) best value reviews as a source of internal challenge; and

- Help the Council to assess whether the principles of best value – challenge, comparison, consultation and competition are being addressed.

- The best value review carried out by internal audit reviewed and listed the number of Strategic Reviews undertaken and their stage of implementation. This should be further reviewed as to progress and reported accordingly.

- Internal audit will be involved in providing challenge and advice on the above reviews as well as reviewing the framework for managing and controlling best value. Additional to

the above reviews Service Management will be involved in efficiency reviews within their own services.

- ■ PMP was designed to assist local authorities establish clear targets and standards for all areas of activity. This is closely aligned to the performance indicator reporting noted above. The Council is required to implement a framework for PMP. This has largely happened and internal audit is in the process of monitoring the remaining implementation of those agreed with external audit by local management. The emphasis is again to maintain progress in this area.

1.25 Operational Services – Roads Project

1.25.1 An audit review will be carried out in support of a Project under consideration regarding Ferry Services. Consideration will be given to the policy and objectives set by Operational Services with regard to the Project. Additional consideration will be given to areas where management believe an independent review and additional value for money can be achieved.

1.25.2 The focus of the review will be whether arrangements are in place to secure economy, efficiency and effectiveness while achieving the objectives of the roads areas.

1.26 Significant Trading Operations

Section 10 of the Local Government in Scotland Act 2003 requires authorities to maintain and publish Statutory Trading Accounts in respect of all "Significant Trading Operations", with effect from 1st April 2003. This legislation extends to cover all services provided by local authorities and is not merely restricted to those covered by the previous CCT legislation. The Roads Maintenance function was identified as a Significant Trading Operation. Argyll & Bute Council has chosen to prepare additional voluntary trading accounts in respect of certain trading operations. These are to be grouped for consolidated disclosure in order to reflect the way in which the services are managed. The service groups have been approved by the Strategic Policy Committee and are noted as follows.

- ♦ Roads and Lighting;
- ♦ Catering and Cleaning and Janitors;
- ♦ Refuse Collection and Street Sweeping;
- ♦ Leisure Operations.

1.26.1 The focus of the review will therefore be to ensure:

- • The treatment of Building Services as a "non-significant" operation should be reviewed;

- • Officers should ensure adequate monitoring arrangements for trading account operations are introduced;

- • The Security and Financial Regulations should be amended to incorporate changes arising from the introduction of Trading Accounts Legislation.

- • 3 year rolling targets are approved for the trading activities; and

- • Officers should determine the form and content of Trading Accounts and the accompanying Annual Reports, ensuring they comply with the minimum guidance requirements.

1.27   **Catering & Cleaning**

1.27.1   Resources will be allocated to review operations and activities for the catering & cleaning operation. Consideration will be given to the policy and objectives set, the processes and procedures in place for achieving these and specific areas of development or change in particular its preparedness for the Education NPDO. Additionally, consideration will be given to areas where management believe an independent review and additional value for money can be achieved.

1.28   **Community Services - Transport**

1.28.1   Internal Audit in 2004/2005 will follow up the audit report findings of 2003/2004 to establish what progress has been made by a joint working group to examine issues raised in the report.

1.29   **Community Services**

An audit will be most likely carried out for either Housing/Social Work. However this will be better defined after further consultation with management nearer the scheduled audit date.

1.30   **Development Services – e-Planning**

1.30.1   The focus of the review will be to look at the developments taking place within the Planning Service. In particular the review will evaluate:

- The approach to putting planning and building control services on line;

- How proposals will affect the 4 area teams;

- The present system of manual applications through area teams.

1.31 Corporate Services

An audit will be identified after further consultation with management, which will be an IT audit based on Disaster Recovery.

Special Investigations / Risk Assessment / Follow-up

1.32 Special Investigation

1.32.1 The management of the Council may from time to time request that Internal Audit carry out special investigations. To report on issues identified by Council Management requiring input from Internal Audit.

1.33 Risk Assessment / Strategic Plan / Annual Plans

1.33.1 Internal Audit will devote time to assessment of risk matters that could affect the audit plan. To develop the audit plan as issues identified by Council Management require input from Internal Audit.

1.34 Follow-up of External Audit Recommendations

1.34.1 The specific objectives of this review will assess and report on:

■ Progress made by management to address the points raised by the external auditor; and

■ Further recommendations made to improve operations and controls in the same areas.

1.35 Follow-up of Internal Audit Recommendations

1.35.1 The broad objectives of the review are to:

■ Identify outstanding recommendations made at previous audits; and

■ Confirm progress and secure action dates from Council management where necessary.

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