

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

Corporate Services  
Director: Nigel Stewart



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26 November 2004

## NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **FRIDAY, 3 DECEMBER 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**  
Audit Committee 27 August 2004 (Pages 1 - 4)
4. **EXTERNAL AUDIT PMP REPORTS 2002-3**  
Report by Internal Audit Manager (Pages 5 - 12)
5. **HMIE REPORT 2002-3**  
Report by Internal Audit Manager (Pages 13 - 16)
6. **ADAPTING TO THE FUTURE 2003-4**  
Report by Internal Audit Manager (Pages 17 - 26)
7. **RECENT EXTERNAL AUDIT ISSUED REPORTS 2003-4**  
Report by Internal Audit Manager (Pages 27 - 36)
8. **AUDIT SCOTLAND REVIEW OF INTERNAL AUDIT (FOLLOW-UP)**  
Report by Internal Audit Manager (Pages 37 - 44)
9. **ESTABLISHMENT OF A QUALITY PROCESS**  
Report by KPMG (Pages 45 - 46)

- 10. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2004-5**  
Report by Internal Audit Manager (Pages 47 - 88)
- 11. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004-5**  
Progress by Internal Audit Manager (Pages 89 - 92)
- 12. KPMG WORKPLAN FOR INTERNAL AUDIT PARTNERING CONTRACT**  
Report by KPMG (Pages 93 - 96)
- 13. KPMG AND INTERNAL AUDIT STRATEGY 2005-8**  
Report by KPMG (Pages 97 - 102)
- 14. UPDATE ON DEBTORS USER GROUP**  
Report by Head of Strategic Finance (to follow)
- 15. OUTSTANDING AUDIT RECOMMENDATIONS**  
Report by Head of Strategic Finance (to follow)
- 16. AUDIT OF ACCOUNTS 2003/04: MEMBERS LETTER/AUDIT OF ACCOUNTS AND CERTIFIED ACCOUNTS**  
Please bring with you the papers previously circulated with the Council agenda for 24 November 2004.
- E1 17. REVIEW OF INTERNAL AUDIT PARTNERSHIP**  
Report by Head of Strategic Finance (Pages 103 - 106)

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

The appropriate paragraphs are:-

**E1 Paragraph 8** The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

**Paragraph 9** Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

## **AUDIT COMMITTEE**

Councillor Donald MacMillan  
Councillor Gary Mulvaney (Chair)  
Councillor John Tacchi

Councillor John McAlpine  
Councillor Elaine Robertson

Contact: Melissa Stewart

Tel. No. 01546 604406

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 27 AUGUST 2004**

**Present:** Councillor Gary Mulvaney (Chair)

Councillor John Tacchi                      Ian Ross

**Attending:** Charles Reppke, Head of Democratic Services & Governance  
Dougie Dunlop, Head of Children & Families  
Bruce West, Head of Strategic Finance  
Ian Nisbet, Internal Audit Manager  
Steve Keightley, KPMG  
Brian Howarth, Audit Scotland  
Ian Bell, Audit Scotland  
Laurence Slavin, Audit Scotland  
Marius Rautenbach, Audit Scotland

**Apologies:** Councillor John McAlpine                      Councillor Elaine Robertson  
Councillor Donald MacMillan                      Christopher Valentine

**1. MINUTES**

The Committee approved the minutes of the Audit Committee of 14 June 2004 as a correct record.

**2. APPOINT VICE-CHAIR OF THE AUDIT COMMITTEE**

It was agreed to appoint Ian Ross to the position of Vice-Chair of the Audit Committee.

**3. EXTERNAL AUDIT PMP 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 in 2002-3 was to review Council best value progress through Performance Management and Planning (PMP) Review.

**Decision**

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

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

**4. EXTERNAL AUDIT REPORT HMI 2002-3**

Internal Audit had performed a review regarding the progress made by Community Services Management in the implementation of key summary report recommendations following the issue of a report by the Accounts Commission "The Inclusion of Pupils with Special Education Needs in Mainstream Schools".

**Decision**

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

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

**5. RECENT EXTERNAL AUDIT ISSUED REPORTS 2003-4**

A report containing the executive summaries and action plans for three new reports issued by Audit Scotland since the last Audit Committee was considered. Details of the progress being made by management in implementing outstanding recommendations were outlined.

**Decision**

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To request a report for the next Audit Committee meeting from the Head of ICT and Financial Services regarding the measures being taken to address the network issues as identified in Appendix 2 (Networking Overview).

(Ref: Report by Internal Audit Manager 30 July 2004, submitted).

**6. AUDIT SCOTLAND REVIEW OF INTERNAL AUDIT (FOLLOW UP)**

In July 2004, Audit Scotland had issued national and local reports on their findings of a review concentrating on assessing internal audit compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government.

**Decision**

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To commend both KPMG and the Council's staff who were involved in achieving band one status.
3. To request that the Internal Audit Manager investigates the merits of pursuing European Founding of Quality Management (EFQM) accreditation and reports back on his findings to the next Audit Committee.

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

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 (Appendix 6 only) 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.

**7. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2004/5**

Internal Audit had concerns that the current process of collecting evidence and subsequent reporting is inefficient for departments, Internal Audit and the Audit Committee and accordingly have devised a new reporting system which documents the progress made by departmental management in implementing recommendations made by Audit Scotland and Internal Audit.

**Decision**

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To record the concern of the Committee where “none” and “none at present” appear in the revised implementation date column and request that Directors note that this is not an acceptable response.
3. That the Head of Strategic Finance report back to the next Audit Committee on the outcome of the debtors user group meeting which is scheduled to take place in October 2004.

(Ref: Report by Internal Audit Manager dated 30 July 2004, submitted).

**8. KPMG WORK PLAN FOR INTERNAL AUDIT PARTNERING CONTRACT**

The Committee were requested to endorse a proposed schedule of work to be undertaken by KPMG as Internal Audit partners with the inhouse Internal Audit Team.

**Decision**

To approve the proposed work plan for the current year with the exception of the 10 days allocated for production of an Audit Committee Handbook which should be reassigned.

(Ref: Report by KPMG dated 29 July 2004, submitted).

**9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004-5**

The Committee were asked to give consideration to an interim progress report which had been prepared regarding the audit worked performed by Internal Audit up to 30 July 2004.

**Decision**

To approve the progress made with the Annual Audit Plan for 2004-05.

(Ref: Report by Internal Audit Manager dated 30 July 2004).

**10. UNAUDITED ANNUAL ACCOUNTS - 31 MARCH 2004**

The Committee considered the Unaudited 2003/04 Annual Accounts which had previously been considered by the Council.

**Decision**

To note the unaudited accounts for 2003/04

(Ref: Report by Head of Strategic Finance dated 15 June 2004 and Unaudited Annual Accounts for the period 1 April 2003 to 31 March 2004, submitted).

**11. DISASTER RECOVERY PLAN**

The Disaster Recovery Contract was awarded to Synstar Business Continuity on 29 March 2004. Synstar are a specialised disaster recovery and business continuity provider based in Livingston and have a worldwide network of over 50 centres in 11 countries, providing this type of service for 22 years, successfully supporting over 500 client disasters.

**Decision**

To note the contents of the report.

(Ref: Report by Head of ICT Financial Services dated 6 August 2004, submitted).

Steve Keightley left the meeting prior to discussion of the following item of business.

**12. INTERNAL AUDIT PARTNERSHIP**

The Council's three year partnership for Internal Audit with KPMG ends in February 2005. The Head of Strategic Finance suggested an approach for giving consideration to the options available on expiry.

**Decision**

To agree the approach outlined in the submitted report.

(Ref: Report by Head of Strategic Finance dated 12 August 2004, submitted).

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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 DECEMBER 2004**

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

**2. RECOMMENDATION**

2.1 The contents of this report are noted.

**3. DETAILS**

3.1 Internal Audit has carried out a review of the progress made by local management in implementing the remaining agreed recommendations raised in PMP reviews. Appendix 1 sets out the updated position.

3.2 Internal Audit can report that the remaining Corporate Audit recommendation has now through discussion with Audit Scotland been judged to be complete. (See Appendix 2). Management have reported that for the remaining 2 recommendations in respect of Community Care these were completed on the 15<sup>th</sup> November 2004. (See Appendix 3). It can therefore be said that there are no recommendations remaining to be implemented with regard to the 2002 – 2003 Audit Scotland PMP review reports.

**4. CONCLUSIONS**

This concludes the reporting of progress with regard to PMP report recommendations.

**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 15 November 2004.  
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**APPENDIX 1****EXTERNAL AUDIT PMP REPORTS**

<b>Appendix No.</b>	<b>PMP Report Name</b>	<b>No. Of Original Recommendations May 2002</b>	<b>No. Of Recommendations Outstanding as at 15th November 2004</b>
2	Corporate Approach	23	0
3	Community Care	22	0

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## APPENDIX 2

### 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. Audit Scotland dates for follow up.	7. Progress as at 22nd October 2004.
<p>22. Complete implementation of management information systems to deliver required performance information</p>	<ul style="list-style-type: none"> <li>• The Council is to review its management information systems Nov 02</li> <li>• Recommendation as how to improve systems Dec 02</li> <li>• Implement action Plan Mar 03</li> </ul>	<p>The Council will have information systems, which will enable it to provide the information that stakeholders require.</p>	<p>The Council has undertaken a review of the information systems and made recommendations for improvement. Corporate Policy has also established a research forum. However the finally implementation of the recommendations is likely to be delayed due to the restructuring of the organisation as it would not be wise to implement a number of recommendations until the correct structures are in place. <b>(B)</b></p>	<ul style="list-style-type: none"> <li>▪ Knowledge Management Report to Management Team (19<sup>th</sup> Dec 2002) (See 21.1)</li> <li>▪ Establishment of research forum.(23.2)</li> </ul>	<p>Initially scheduled for March 2003</p> <p>Could be delayed until autumn depending on the Best Value Task Force - Autumn 2003 – September 2003</p>	<p>In discussion with Audit Scotland it has been concluded that this recommendation should be dropped as the issues it raises have been addressed i.e. the establishment of a research forum. Management information systems are being progressed through the Council's preparation for a future Best Value audit by Audit Scotland.</p>

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**Improvement Action Progress Report**

Council: Argyll and Bute Council

Service: Community Care

Contact: Jim Robb, 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	7. Progress as at 15 <sup>th</sup> November 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>(B)</b>		February 2004	Completed 15 <sup>th</sup> November 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>(B)</b>		February 2004	Completed 15 <sup>th</sup> November 2004.

## APPENDIX 3

### IMPROVEMENT ACTION PROGRESS REPORT

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

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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 DECEMBER 2004**

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**HMIe REPORT 2002 – 2003**

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**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”. Two reports were produced, a key summary and main report. Internal Audit has now performed a review regarding the progress made by Community Services Department management in the implementation of both the key and main report recommendations.

**2. RECOMMENDATION**

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 on the progress made by the Community Services Department management in their implementation of 11 key summary report recommendations. Following a request from the Audit Committee for increased clarity regarding management comment for the remaining recommendation, management has appended a more descriptive comment. (See Appendix 1).

3.2 It was also reported to the last Audit Committee that, Internal Audit would carry out a review of the progress made by management in addressing recommendations from the HMIe main report of May 2003.

3.3 In October 2004, after an initial meeting with the Head of Secondary Education and relevant officers, Internal Audit began a compliance review of evidence collated by the Community Services Department management, in respect of the main report recommendations. An executive summary report and action plan will be available for the next Audit Committee.

**4. CONCLUSIONS**

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

**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 3 November 2004.

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## Action Plan: Moving to Mainstream

No	Recommendation	Responsible Officer	Community Services Management Response	Update 22 October 2004
	<b>Building capacity for inclusion.</b>			
5	Councils should ensure that schools' physical environments are adapted to meet the needs of pupils with SEN, and that essential adaptations are made before pupils are admitted. NPDO to be considered.	Head of Planning & Performance/ Disability Access Co-ordinator	<p>The Council has 81 Primary Schools, 10 Secondary Schools, 3 Special Needs Schools and 2 Nursery Schools. Within the current 3-year Capital Programme approved by the SPC on 31<sup>st</sup> March 2004 there is provision to carry out work to all schools not included on the original NPDO list to ensure their compliance with the Disability Discrimination Act. For the first year of the programme it can be reported that 58 Primary Schools, 3 Secondary Schools have been included. The remaining schools will be addressed over years 2 and 3. This work will address the specific and general needs of pupils with disabilities. It is not practicable to adapt all schools to meet every possible need and a list is maintained of current and prospective pupils' particular support requirements. These may include changing facilities, adaptations to accommodate physiotherapy, low stimulus areas etc. A separate revenue funded budget exists to finance this work.</p> <p>Community Services are currently working on proposals for the schools no longer in <del>on</del> the NPDO initiative and it is intended to submit a paper to SPC early in 2005</p>	Working towards June 2005.

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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3rd DECEMBER 2004**

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**ADAPTING TO THE FUTURE 2003 – 2004.**

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**1. SUMMARY**

The Accounts Commission - Audit Scotland issued a national report towards the end of August 2004 entitled, "Adapting to the future". This is a national report and contains the findings of a recent study of Local Authorities and NHS bodies in Scotland. For the Audit Committee a copy of the Key Findings report is provided in Appendix 1.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 The report contained in Appendix 1, is a guidance report to Council management across Scotland. Internal Audit has drawn up an action plan covering the 21 report recommendations and is in the process of discussing with appropriate Heads of Service, a way forward to ensure that this Council takes cognisance of the reports recommendations. (See Appendix 2)

As there are no implementation dates assigned to the report recommendations, it would be best for the Community Services Department management to prepare a position paper so that, it can be determined where this Council is in terms of compliance with the recommendations outlined in the national report. Thereafter, a further action plan can be prepared with an appropriate implementation timetable. Internal Audit will report back to the Audit Committee regarding progress.

**4. CONCLUSIONS**

Progress with the implementation of the reports 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 3<sup>rd</sup> December 2003. 3decfinalreport3dec

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# Key messages

## Why do these services matter?

Community equipment and adaptations are an important part of an integrated community care service. They support people with a wide range of care needs to live in their own homes and can enhance the quality of people's lives. They can also reduce demands on other health and social care services by:

- preventing unnecessary admissions to hospital
- speeding up discharge arrangements from hospital
- reducing or eliminating the need for home care services and support from carers.

They include:

- equipment such as bathing, feeding and walking aids
- minor adaptations to a person's home, such as external grab-rails and temporary ramps
- major adaptations, such as widening doors for wheelchair access, lowering worktops in kitchens, or purpose built extensions.

We estimate that council social work services spent approximately £30 million on community equipment and minor adaptations in 2001/02.<sup>1</sup> It has not been possible to estimate total national expenditure on these services because of gaps in councils' housing services information and NHS information. Nevertheless, it is clear that expenditure on these services is significant.

Nationally, the demand for these services is likely to grow:

- About a third of households and almost a quarter of adults in Scotland have a long-term illness or disability. One in three adults with disabilities has equipment or adaptations to their home.
- The need for equipment and adaptations rises with age. From 2002 to 2027 the number of people aged over 65 in Scotland is due to rise by 46%, from 812,000 to almost 1.2 million.

## Who is responsible for services?

Responsibility for these services is split between councils' social work and housing functions and NHS bodies. These organisations need to work closely together to ensure that users receive a joined-up service.

Responsibility for community equipment and minor adaptations varies across the country, although in the main:

- equipment is provided by social work and the NHS – both primary care and acute services
- minor adaptations are usually the responsibility of social work.

Responsibility for major adaptations to council properties usually rests with council housing services. Applications for help towards the funding of owner-occupied and private sector major adaptations can be dealt with by a number of council services including housing, social work and grants sections.

Now is an opportunity to clarify national guidance and bring it into line with changes in the way services are being jointly developed.

## The study

Audit Scotland has reviewed the management of community equipment and adaptations on behalf of the Auditor General and the Accounts Commission. We collected management, activity and financial data from NHS bodies and council social work and housing services;<sup>3</sup> and conducted interviews with service providers to identify areas of good practice.

Given the importance of these services to people's lives we carried out:

- a Scotland-wide survey of around 1,000 members of the general public, of whom 15% had used these services
- five in-depth focus groups with users and carers.

The main findings and recommendations from our review are outlined in this summary report which accompanies the main report, *Adapting to the future*.

We carried out our fieldwork during a period of change when organisations were putting in place systems for improving joint working between councils and NHS bodies. Therefore, community equipment and adaptation services may have progressed and developed since the time of our audit. Our study was also undertaken before the recent reorganisation of the health service when NHS trusts were still in existence. Our recommendations for the health service are aimed at the new NHS boards.

1 It was not possible to estimate the amount spent on major adaptations.

2 Voluntary organisations and Registered Social Landlords (RSLs) also provide equipment and adaptations but are not within the remit of this study.

3 28 social work services and 29 housing services in councils; 11 primary care and 7 acute NHS trusts, 1 integrated trust and 1 island board.

## Main findings

### 1 Community equipment and adaptation services can enhance a person's quality of life ...

*"Life wouldn't be very nice [without these services] would it?"*

- Users are positive about the difference that equipment and adaptations make to their lives. With appropriate equipment and adaptations they can do things that many people take for granted from, for example, being able to access their garden through to being able to take regular baths.
- People speak highly of the individual staff with whom they have contact.

**... but information about services is difficult to access and some people have to wait a long time for equipment and adaptations.**

- It is not always easy to find out key information about things such as what is available; who to approach for help; whether you meet the eligibility criteria and, if you do, whether you will need to pay; and how long you might have to wait.
- Users' awareness of these services and how to access them often comes from informal channels. The majority of councils (24) publish information about their service but less than half publish anything jointly with their health partners.
- Users reported long waiting times for equipment and adaptations, despite the difference that these services can make to people's lives and their potential to prevent more costly interventions such as

hospital admissions. But it is difficult to compare performance across the country because of differences in the way that waiting times are measured.

- There are differences across Scotland in what equipment and adaptations are available, meaning that depending on where you live you could have more limited access to equipment. There are also differences across the country as to whether or not you pay for these council services.

### 2 Community equipment and adaptation services are fragmented – the split in responsibility for equipment and adaptations to meet a social care or nursing need is unhelpful for users and providers alike ...

*"Aye, the [occupational therapists] are pretty good, it's the system you're fighting all the time."*

- There is a lack of clarity and consistency around definitions of equipment, and what constitutes a minor or major adaptation. This results in confusion among both users and providers about who is responsible for what.
- The national guidance about roles and responsibilities for equipment and adaptations is confusing for providers and is out of date. It gets in the way of better joint working between councils and NHS bodies by reinforcing distinctions between social care and nursing needs, and housing and social work provision. Differences in the interpretation of the guidance at a local level has led to variations across Scotland in the extent to which councils and NHS bodies issue each other's equipment.

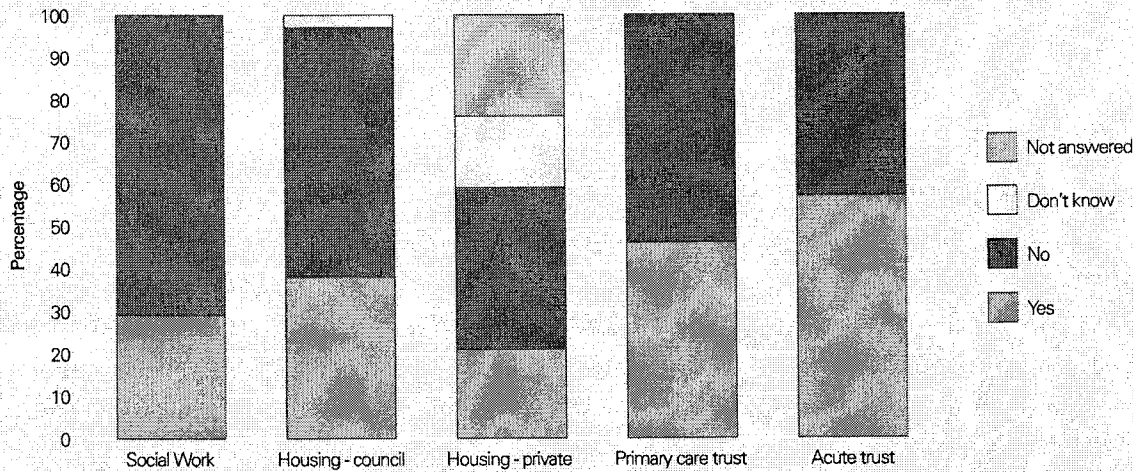
- Progress is being made in developing joint approaches, but more work is needed to agree formal policies which are understood and implemented by all staff. We found that NHS and council staff are not always fully aware of the way their partnership arrangements are meant to work and what their respective responsibilities are.
- Information systems within councils, and between councils and the NHS, are rarely compatible. This limits the ability to provide a joined-up service, and leads to inefficiencies in service delivery.

### 3 The lack of good performance information on the cost, management and quality of services is limiting the evaluation and development of community equipment and adaptations services ...

- Councils and NHS bodies had difficulty in providing comprehensive expenditure and activity information for equipment and adaptations. This information is essential to assess whether funding is adequate to meet need.
- There are big differences in activity, with some councils showing a growth in activity and other similar sized councils showing a decrease. But this may be due to poor management information.
- There is an over reliance, particularly in NHS budgets, on additional money received through the year. This makes it hard to take a strategic approach to the development of the service.

## Exhibit 1

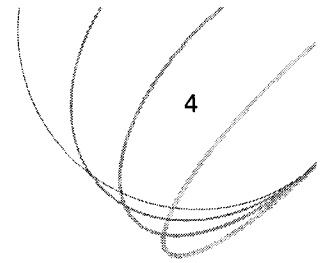
Do councils and NHS trusts provide written instructions on how to use community equipment and adaptations?



Base: Social Work, 28; Housing, 29; PCTs, 13; and Acute, 7.

Source: Audit Scotland

- Only around two-fifths of social work and housing services and a third of NHS bodies in our study carry out customer satisfaction surveys – this means that users in many areas do not have a say in how the service could be improved.
  - We found that many providers do not systematically monitor their local service and limited use is made of local targets. This, plus a lack of common definitions, restricts local agencies' ability to improve services by benchmarking with others.
  - Most social work and NHS providers demonstrate how to use equipment and adaptations, as do housing services for their own tenants but not for people living in private accommodation. Most service providers do not, however, provide written instructions on how to use their equipment and adaptations (Exhibit 1).
  - Because of the lack of clarity about who has provided equipment and adaptations, some users do not know who to approach when repairs or routine maintenance work is required. Most service providers do not provide written instructions about who is responsible for maintaining equipment and adaptations. Repair and maintenance issues are of significant concern to users, particularly with regard to responsibilities, cost and waiting times.
  - Less than half of community equipment and adaptations partnerships have agreed emergency procedures in place; for example, what to do when repairs are required to equipment which someone cannot manage without.
  - Few councils or NHS bodies have written recycling policies that cover issues such as infection control and assessment of the suitability of equipment for recycling.
- 4 A lack of formal operational policies and procedures in many places exposes users and providers to risks ...**
- Only a third of councils and a half of NHS bodies in our study have written procedures in place to recall faulty equipment. This could have serious consequences for users and providers.



# Key recommendations

Implementation of the following key recommendations should lead to people receiving faster and better targeted services that meet their needs.

## ***The Scottish Executive should:***

- Update national guidance on roles and responsibilities in relation to community equipment and adaptations to reflect new ways of working promoted by the Joint Future Agenda; local government reorganisation; and developments in technology.

## ***Local councils and NHS bodies should:***

- Ensure that community equipment and adaptations are developed as part of their overall community care strategy.
- Clarify partnership arrangements for the assessment and provision of community equipment and adaptations ensuring that all relevant partners are involved; and formalise these arrangements in agreed policies and procedures.
- Ensure all relevant staff across the respective partner organisations are aware of the agreed policies and procedures.
- Work towards joint information systems that provide good management information on the community equipment and adaptation services within their partnership area.

- Agree and implement formal operational policies and procedures which cover:
  - recall of faulty equipment
  - maintenance and repair arrangements
  - recycling, including infection control procedures
  - emergency arrangements.
- Jointly publish comprehensive information on community equipment and adaptations covering:
  - what help is available
  - who to contact
  - eligibility criteria
  - who needs to pay and how much
  - what service people can expect, using information such as local targets for response times.

This should be published in different formats and in other languages as relevant to local communities.

- Monitor the performance of equipment and adaptation services by collecting and using robust management information on:
  - cost
  - activity (including waiting times)
  - quality of services (including users' views).
- Jointly review budgets for community equipment and adaptations and Housing Improvement Grants to ensure that they are set at a realistic level to meet need.



## Main Report - Action Plan: Adapting to the future

No	Recommendation	Responsible Officer	Community Services Management Response	Update
	<b>Person-centred services Councils and NHS bodies should</b>			
1	Jointly publish comprehensive information on community equipment and adaptations, covering: <ul style="list-style-type: none"> <li>• What help is available</li> <li>• Who to contact</li> <li>• Eligibility criteria</li> <li>• Who needs to pay and how much</li> <li>• What service people can expect, using information such as local targets for response times.</li> </ul>	Jim Robb Head of Integrated Development.		
2	The information in 1 above should be published in different formats and in other languages as needed by local communities	Jim Robb Head of Integrated Development.		
3	There should be a review regarding the level of demand for out-of-hours services.	Jim Robb Head of Integrated Development.		
	<b>How are services organised Councils and NHS bodies should</b>			
4	Work towards joint information systems that provide good management information on the community equipment and adaptation services within their partnership area.	Jim Robb Head of Integrated Development.		
5	Clarify partnership arrangements for the assessment and provision of community equipment and adaptations ensuring that all relevant partners are involved; and formalise these arrangements in agreed policies and procedures.	Jim Robb Head of Integrated Development.		
6	Ensure all relevant staff across the respective partner organisations are aware of the agreed policies and procedures.	Jim Robb Head of Integrated Development.		
7	Ensure that community equipment and adaptation services are developed as part of their overall community care strategy.	Jim Robb Head of Integrated Development.		

## APPENDIX 2

No	Recommendation	Responsible Officer	Community Services Management Response	Update
8	Develop protocols, which maximise the ability of staff from different partnership organisations to access equipment and adaptations and reduce the waiting time for users.	Jim Robb Head of Integrated Development.		
	<b>How are services organised Councils and NHS bodies should</b>			
9	Jointly review budgets for community equipment and adaptations and HIG's to ensure that they are set at a realistic level to meet need.	Jim Robb Head of Integrated Development.		
10	Monitor the performance on equipment and adaptation services by collecting and using robust management information on: <ul style="list-style-type: none"> <li>• Cost</li> <li>• Activity, including waiting times</li> <li>• Quality of services, including users' views.</li> </ul>	Jim Robb Head of Integrated Development.		
11	Record and monitor activity and expenditure associated with third parties, such as Care and Repair, RSLs and voluntary organisations, as charges in these areas are likely to impact significantly on future service delivery and resourcing.	Jim Robb Head of Integrated Development.		
12	Develop joint performance indicators so that the service can be evaluated across a partnership area.	Jim Robb Head of Integrated Development.		
13	Councils and schools should ensure that there is training on the inclusion of pupils with SEN and for class and subject teachers and SNAs, in particular, that there is effective development and training to support the needs of pupils with SEBD.	Ronald Gould Head of Secondary Education		
14	Once trend information is available, benchmark with other partnerships using like-for-like performance measures to drive forward continuous improvement.	Jim Robb Head of Integrated Development.		
15	Work together to assess need for major adaptations in the future.	Jim Robb Head of Integrated Development.		

## APPENDIX 2

No	Recommendation	Responsible Officer	Community Services Management Response	Update
	<b>Managing Risk</b> <b>Councils and NHS bodies should</b>			
16	Ensure stock control systems are in place to track and locate equipment.	Jim Robb Head of Integrated Development.		
17	Ensure that written instructions on using equipment and adaptations are always provided for users and carers, and trained staff always demonstrate their use.	Jim Robb Head of Integrated Development.		
18	Consider how best to provide advice and support to people in private housing market who install major adaptations.	Jim Robb Head of Integrated Development.		
19	Agree and implement formal policies and procedures that include: <ul style="list-style-type: none"> <li>• Recall of faulty equipment</li> <li>• Maintenance and repair arrangements</li> <li>• Recycling, including infection control procedures</li> <li>• Emergency arrangements.</li> </ul>	Jim Robb Head of Integrated Development.		
20	Ensure management information systems contribute to the effective management of risk.	Jim Robb Head of Integrated Development.		
21	Review user needs once equipment and adaptations have been supplied.	Jim Robb Head of Integrated Development.		

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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 DECEMBER 2004**

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**RECENT EXTERNAL AUDIT ISSUED REPORTS 2003 – 2004.**

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**1. SUMMARY**

This report contains the executive summary and action plan for a new report issued by Audit Scotland since the last Audit Committee. Internal Audit has performed a review of the progress made by management in implementing the reports recommendations. (See Appendix 1). This report will be incorporated into the new reporting system for the next Audit Committee.

**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 in September 2004 issued a report entitled, “Regularity & Governance (3)”. It commented on their review of the Council’s regularity and governance arrangements which included Council Tax Billing & Collection, Ordering & Certification, Internal Audit, Payroll, Governance Framework and a Previous Years Follow Up section. An action plan was produced for the 2003 – 2004 audited areas and a total of 18 recommendations were made. As at the 22nd of October 2004, there are 16 recommendations, which remain to be implemented.

3.2 Of the remaining 16 recommendations, 6 have an implementation date of September 2004. Management have advised Internal Audit that these dates will not be met and have appended comments with revised implementation dates.

A further 6 recommendations have an implementation date of, 31 December 2004. Four have amended implementation dates with management comment appended and 2 remain ongoing.

Three recommendations with implementation dates of January and March 2005 remain ongoing. One recommendation has no date assigned to it but management have made a progress comment. The Executive Summary and Action Plan are appended in Appendix 1 for your review. An index of abbreviations used in the report is also given.

3.3 The progress of the outstanding recommendations detailed in the Previous Years Follow – Up section of the report, are reported in another paper to the Audit Committee.

**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 15 November 2004.

3Decemberfinalreport3Dec

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## 1. Executive Summary

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### 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 regularity and governance arrangements including Council tax billing and collection, ordering & certification (Education), Manual Payroll, Internal Audit, Fraud & Irregularity, Governance Statement and previous years' follow-up.
- 1.5 This is our third and final regularity and governance report of 2003/2004.

### Summary of Main Findings

- 1.6 **Council Tax Billing & Collection.** Adequate controls were found to be in place and operating satisfactorily within the Council Tax department. It was noted however, that there is currently no automatic interface of the Assessor's valuation updates into the iWorld Council Tax System. The Council recognise the need to implement an interface and a project is currently underway to attempt to develop this process in-house. There is also a need for an assessment to be made of the potential environmental threats to the associated infrastructure and integrated processes to ensure adequate business continuity planning.
- 1.7 **Ordering & Certification.** The ordering & certification process within the Education Department places significant reliance on manual authorisation controls. Sample testing conducted found that these controls are operating satisfactorily. No material weaknesses were identified that would require action across all schools. Some school specific issues were identified and have been raised in section 4 of this report.
- 1.8 **Internal Audit.** Review of the relevant files showed in general that work was well organised and properly carried out.
- 1.9 **Payroll.** The weekly process is very reliant on manual authorisation and data input verification controls. Sample testing conducted identified that these controls are operating satisfactorily. No material weaknesses were identified.

- 1.10 **Prevention & Detection of Fraud.** The Council's policy regarding the arrangements for prevention and detection of fraud has not yet been incorporated into the Standing Orders. The policy also requires to be updated to define the arrangements for receiving and investigating complaints of fraud, corruption and improper financial conduct.
- 1.11 **Governance Framework.** The Council has adequate corporate governance arrangements in place. However it requires to formally revise its standing orders, financial instructions and scheme of delegation. Further it requires to implement an asset management planning strategy as a means of controlling its assets. A single system should be used to record these assets. Risk Management and ICT Strategies also require to be developed.
- 1.12 **Previous Years' Follow Up.** At September 2004, 32 of the original 157 recommendations made, by Audit Scotland during the previous two years remain outstanding. These will be subject to further follow-up action.
- 1.13 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.
- 1.14 The factual content of the report remains to be agreed in discussion with appropriate officers from the Council. The Action Plan which sets out the proposed action to be taken in response to the audit recommendations should be read in conjunction with the relevant references from the main report.
- 1.15 The co-operation and assistance afforded to audit staff during the course of the audit are gratefully acknowledged.

## Abbreviations Index:

Comino system:	Company name of a document management system
iworld system:	Council Tax System.
SX3:	Company name of Council Tax System provider.
RB Password:	Passwords for entry to the Council tax System commence the RB.
DMR:	Devolved Management Resources a transaction system used by Education.
AFA's:	Area Finance Assistants – Attached to schools.



## 2. Action Plan

No	Recommendation	Responsible Officer	Action	Date	Update as at 22 <sup>nd</sup> October 2004
	<b>Council Tax Billing &amp; Collection</b>				
1	A Business Continuity Plan should be created to provide, in tandem, with the Disaster Recovery Plan, for rapid recovery in the event of an unforeseen disaster. <b>Priority: Medium</b>	J Orr Head of ICT and Financial Services	Create Plan.	31 March 05	Consultation required with IT Dept prior to developing plan. (In progress.)
2	Procedures to support the cash receipting process should be documented. These procedures should incorporate all relevant activities including all the controls in the process. <b>Priority: Low</b>	M Renton Revenues Manager	Produce procedure manual for all cash processes.	30 September 2004	Completed
3	The introduction of the new Council Tax review process should incorporate review of any high value relief or discount awarded in 2003/04. <b>Priority: Medium</b>	M Renton Revenues Manager	New rolling review process introduced using a combination of both Comino and iworld systems. The relevant instructions have been drawn up to assist staff with this new process.	Implemented August 2004	Complete
4	The password for the iWorld system ID 'RB' should be changed from its default setting. The new password should be locked in a safe and provided to SX3 on an 'as needed basis.' Once SX3 have completed maintenance work the password should be changed again. <b>Priority: Medium</b>	M Renton Revenues Manager	It is possible to change the 'RB' password, however it should be noted that this must be actioned by Sx3 who would have access to the password at all times. Any change would require to be carried out in agreement with the Benefits Section as specific jobs are dependant on the batch scheduler which is a shared facility. It is also vital that Sx3 have immediate access to the system to rectify faults as delays can prove costly. The Council accepts the minor risk involved.	Council Accepts the Risk	The oracle upgrade to 9i for the iworld system did not take place on the September weekend as planned but was carried out on 30 <sup>th</sup> October. This required continuous access to system. An action request has been sent to SX3 to change the 'RB' password.

No	Recommendation	Responsible Officer	Action	Date	Update as at 22 <sup>nd</sup> October 2004
5	<p>The Housing Association authorised signatory list should be updated and consideration given to scanning the sample signatures onto Comino.</p> <p><b>Priority: Low</b></p>	M Renton Revenues Manager	Letters will be issued to all Housing Associations requesting updated signatures.	30 September 2004	Letters issued to all Housing Associations in September, follow up letters also issued to non-returns. If information not received by 5 November facility will be withdrawn. Action will be completed by 30 November 2004
	<b>Ordering &amp; Certification (Education) - General</b>				
6	<p>The DMR procedures manual should be reviewed to ensure the content is still relevant and then formally issued to staff.</p> <p><b>Priority: Low</b></p>	Finance Manager - Community Services	Agreed.	31 December 2004	This will involve a greater amount of work than originally estimated. Due to various changes with the system, departmental structure and staffing, it is unlikely that we will have sufficient time to meet this deadline. With this in mind the implementation date should be amended to 30th June 2005.
7	<p>The person responsible for signing the order forms sent to suppliers should also provide evidence of their approval on the internal copy order.</p> <p><b>Priority: Low</b></p>	Finance Manager - Community Services	Agreed.	31 December 2004	Ongoing

No	Recommendation	Responsible Officer	Action	Date	Update as at 22 <sup>nd</sup> October 2004
8	Logical access to create suppliers on DMR should be restricted to AFAs. <b>Priority: Low</b>	Finance Manager - Community Services	Agreed.	30 September 2004	We are due to have a meeting with our AFA's Mid November where we will discuss the various points and agree procedures. Written confirmation /instructions will then be issued in due course satisfying these action points. Implementation will be 31 Jan 2005.
9	Procedures whereby AFAs perform a periodic review of the DMR supplier masterfile should be formalised. Furthermore, a supplier naming convention should be implemented to reduce the risk of duplicate suppliers being created. <b>Priority: Low</b>	Finance Manager - Community Services	Agreed – will need to discuss naming convention with AFAs.	31 December 2004	Ongoing
10	Authorised signatory lists, incorporating sample signatures, should be compiled for all secondary schools. These should be updated periodically to reflect staff changes. <b>Priority: Low</b>	Finance Manager - Community Services	Agreed but this will form part of a Community Services wide exercise.	31 January 2005	Ongoing
11	Schools should be reminded of the importance of deleting and/or disabling obsolete DMR user accounts in a timely fashion. <b>Priority: Medium</b>	Finance Manager - Community Services	Agreed.	30 September 2004	Implementation will be 31 Jan 2005. (See 8 above).

No	Recommendation	Responsible Officer	Action	Date	Update as at 22 <sup>nd</sup> October 2004
	<b>Ordering &amp; Certification (Education) – Dunoon Grammar</b>				
12	Key process documents such as requisitions and invoices should not be processed until they have been appropriately authorised and evidence of this authorisation has been annotated on the document. <b>Priority: Medium</b>	Finance Manager - Community Services	Agreed.	30 September 2004	Implementation will be 31 Jan 2005. (See 8 above).
	<b>Ordering &amp; Certification (Education) – Oban High School</b>				
13	If, and when, ad-hoc or emergency orders are placed, the standard requisitioning process, should be followed retrospectively to ensure the appropriate authorisation controls are adhered to. <b>Priority: Low</b>	Finance Manager - Community Services	Agreed.	30 September 2004	Implementation will be 31 Jan 2005. (See 8 above).
	<b>Ordering &amp; Certification (Education) – Rockfield Primary, Oban</b>				
14	Office staff should be provided with a copy of the Council Financial Regulations and the DMR procedure manual. <b>Priority: Low</b>	Finance Manager - Community Services	Agreed.	31 January 2005	Ongoing
15	Orders should not be raised unless the purchase requisition has been appropriately authorised. <b>Priority: Medium</b>	Finance Manager - Community Services	Agreed.	30 September 2004	Implementation will be 31 Jan 2005. (See 8 above).
	<b>Manual Payroll</b>				
16	Procedures to support the payroll process should be documented. These procedures should incorporate all relevant activities including all the controls in the process. <b>Priority: Medium</b>	Head of ICT & Financial Services	The current training / procedure notes will be expanded.	31 December 2004	Movements in staff responsibilities following restructuring and initiatives on processing methods will delay this till 31 March 2005.

No	Recommendation	Responsible Officer	Action	Date	Update as at 22 <sup>nd</sup> October 2004
	<b>Prevention and Detection of Fraud</b>				
17	The Council's policy on fraud and corruption should be incorporated in the Standing Orders. <b>Priority: Low</b>	Head of Democratic Services & Governance	This will be done when new Standing Orders are prepared later this year.	31 December 2004	Completion expected by 31 March 2005 by which time the draft Constitution should be complete.
18	The Council's policy on Fraud and corruption should be updated to define the actual arrangements for receiving and investigating complaints of suspected cases. The policy should also outline appropriate disciplinary action to be taken in this respect. <b>Priority: Medium</b>	Head of Democratic Services & Governance	This will be done when new Standing Orders are prepared later this year.	31 December 2004	Completion expected by 31 March 2005 by which time it should be complete and incorporated into draft Constitution.



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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 DECEMBER 2004**

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

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**1. SUMMARY**

1.1 In July 2004, Audit Scotland issued a national and local report on their review findings. The review concentrated on assessing internal audit compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government. Detailed below is the progress that has been made regarding the implementation of the local report recommendations.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 Attached in Appendix 1, is the Action Plan from the local report agreed with Audit Scotland in July 2004. The report contained 15 recommendations and at the 22nd of October 2004, it can be reported that a total of 12 recommendations have been addressed, progress has occurred for the remaining 3. (See Appendix 1).

3.2 Of the remaining 3 recommendations, 2 were assigned to the Corporate Services Department with an implementation date of December 2004. It can be reported that a draft of the Councils new standing orders and financial regulations has been circulated for consultation. Our feedback on this includes the text required for the incorporation of the TOR. A draft updated anti-fraud and corruption policy has been circulated for consultation. We have responded to this with the text required to reflect the responsibilities of internal audit and management.

3.3 For the remaining recommendation, Internal Audit in discussion with KPMG and Audit Scotland will address this as part of the Councils new performance management framework, seeking to move towards an approach based on the balanced scorecard as advocated under best value. Internal Audit currently uses a number of indicators to measure performance and these are reported to the Audit Committee on an annual basis. It is intended to develop a set of balanced indicators that demonstrate performance in terms of cost, service process, customer / client and continuous improvement. These targets should be in place for 2005/06. A separate report on the above issue has been prepared for the Audit Committee entitled, Internal Audit – Establishment of a quality process.

**4. CONCLUSIONS**

Implementation of recommendations will continue to be progressed through the local report action plan to ensure that the Council becomes fully compliant with the Code.

**5. IMPLICATIONS**

5.1	Policy:	None
4.2	Financial:	None
4.3	Personnel:	None
4.4	Legal:	None
4.5	Equal Opportunities:	None

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

Ian Nisbet  
Internal Audit Manager 15 November 2004.  
3Decemberprogressreport3Dec2004



## Action Plan

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No.	Recommendation	Responsible Officer	Action	Implementation Date	As at 22nd October 2004
	<b>Internal audit set clear and properly focused objectives</b>				
1.	Internal Audit TOR should be reflected in the council's standing orders and financial regulations.	Head of Democratic Services and Governance	The Internal Audit TOR will be included in the revised Scheme of Administration etc.	December 2004	A draft of the Councils new standing orders and financial regulations has been issued for consultation. Our comments on this include the text required to incorporate the TOR. The TOR will be kept under review and updated as required. Completion 31 March 2005 reflects Council approval of scheme.
2.	The anti fraud and corruption strategy and fraud response plan should be updated to clearly reflect the roles and responsibilities of internal audit and management, and should include a protocol for informing the police.	Head of Democratic Services and Governance	The anti fraud and corruption policy will be updated as part of (1) above.	December 2004	A draft anti fraud & corruption policy has been issued for consultation. We have responded to this with the text required to reflect the responsibilities of internal audit and management. Completion 31 March 2005 reflects Council approval of scheme.
	<b>Planning and controlling internal audit work</b>				

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No.	Recommendation	Responsible Officer	Action	Implementation Date	As at 22nd October 2004
3.	The authority's risk management process should be formalised. This should be tested by internal audit and incorporated into their risk assessment process.	Head of Democratic Services and Governance	A Risk Strategy is being developed and a draft will be available by the end of July 2004. A report setting out the proposed future action on Risk Management & Governance Strategy will be submitted to the SMT in August 2004.	August 2004	Complete
4.	The strategic audit plan should be more specific regarding the nature of audit work to be carried out, or the Departments that will be audited, over the period of the plan.	Internal Audit Manager	The Annual Audit Plan for 2004/ 2005 contains more detail, and has been issued to all Departmental Directors.	Implemented	Complete.
5.	Management should be informed of any high risk factor areas that have been eliminated from the plan due to manpower or skills shortages within internal audit.	Internal Audit Manager	To be addressed in the 3 year Audit Plan for 2005/ 2008.	Sept 2004	There were no high risk factor areas eliminated from the audit plan due to manpower or skills shortages in 2002 - 2005. The needs assessment for 2002 - 2005 identified areas of high risk. Internal Audit resources including KPMG addressed these as a matter of priority. Should any be identified in the future they will be reported to management.

No.	Recommendation	Responsible Officer	Action	Implementation Date	As at 22nd October 2004
6.	The budget for special investigations should be reviewed for appropriateness.	Internal Audit Manager	A review is carried out on a monthly basis with the Audit Committee informed of all changes.	Implemented.	Complete.
7.	A procedure requiring Directors to inform/remind internal audit of any impending inspectorate visits should be established.	Internal Audit Manager	A memo has been sent to Departmental Directors asking them to inform Internal Audit of any impending inspectorate visits.	July 2004	Complete.
8.	Audit test lead schedules should clearly describe the test carried out, the findings/ conclusions reached, and the recommendations.	Internal Audit Manager	Test schedules are being introduced across all audits 2004/ 2005.	Implemented	Complete.
9.	The audit manual should incorporate the procedures for completing compliance and substantive audit testing, and should provide guidance on sample sizes.	Internal Audit Manager	The training manual covers compliance and substantive testing. This will be integrated with the Internal Audit Manual.	Sept 2004	Complete.
10.	The audit manual should be updated and/or appropriate training should be provided to internal audit staff to advise them of good practice for audit working papers (regarding completion of audit tests, file referencing, signing off etc).	Internal Audit Manager	KPMG, in co-operation with Internal Audit, will provide training.	Sept 2004	Complete.

No.	Recommendation	Responsible Officer	Action	Implementation Date	As at 22nd October 2004
	<b>Resourcing the internal audit work programme</b>				
11.	Given the large geographic area of the Council, an increased number of portable laptops should be provided to internal audit staff.	Internal Audit Manager	Internal Audit has received new laptops and at present these are sufficient to fulfil our present operational requirements.	Implemented	Complete.
12.	Continuous Professional Development records should quantify the number of hours gained during the year. It should be ensured that these meet with the relevant professional body's requirements.	Internal Audit Manager	An appropriate amendment has been made.	Implemented	Complete.
	<b>Holding internal audit to account for its performance</b>				
13.	The Audit Committee should be provided with information regarding the percentage of recommendations that have been implemented within an appropriate timescale.	Internal Audit Manager	A new process for reporting is presently being defined.	Nov 2004	Complete.
14.	The performance data provided to the Audit Committee regarding the percentage of reports issued within 10 days of work being completed, and the percentage of audit assignments in the audit plan completed within budget should be provided for each audit assignment as well as the overall average.	Internal Audit Manager	A new process for reporting is presently being defined.	Nov 2004	Complete.

No.	Recommendation	Responsible Officer	Action	Implementation Date	As at 22nd October 2004
15.	Internal audit's preliminary arrangements towards gaining EFQM accreditation should be pursued to completion.	Internal Audit Manager	Internal Audit and KPMG to develop continuous improvement process in co-operation with Audit Scotland.	Dec/ Jan 2004/ 2005	As part of the new Council performance management framework Internal Audit will develop a balanced set of indicators that show performance in terms of cost, service process, customer / client and continuous improvement.

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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 DECEMBER 04**

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**INTERNAL AUDIT - ESTABLISHMENT OF A QUALITY PROCESS**

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**1. SUMMARY**

Report to the Audit Committee about the position with regard to the quality improvement process adopted by internal audit

**2. RECOMMENDATIONS**

2.1 Note and approve.

**3. DETAILS**

3.1 The study of the internal audit function in Scottish Local Authorities “A job worth doing” and the subsequent follow-up review undertaken by Audit Scotland measured performance against a number of criteria. One of these concerned the establishment of a quality process within the section. The duty of Best Value on Scottish Local Authorities also has a dimension whereby Councils should embed a continuous improvement process.

3.2 As a response to these pressures, KPMG and the Internal Audit section had begun the process of examining the quality development needs of the section using the EFQM framework as a guide. At a meeting of the Audit Committee on 27<sup>th</sup> August 2004 the view was expressed that the use of EFQM was not appropriate in the context of a relatively small part of a large organisation and requested that the approach adopted should be re-examined.

3.3 Internal Audit and KPMG have considered the approach and consulted with Audit Scotland. It has been agreed that the objective of implementing a continuous improvement process within the internal audit section remains valid. The approach to be adopted will follow developments in the rest of the Council with regard to a balanced scorecard and Best Value.

3.4 Implementing continuous improvement in internal audit will involve the following:

- Documentation of the processes involved in delivering the internal audit service;
- Defining performance indicators relating both to outputs and processes;
- Development of a process for the monitoring and review of quality performance; and
- Defining the process whereby outcomes are adopted into working practice.

**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)

Steve Keightley  
KPMG LLP  
03December04.  
KPMGprogreport3Dec



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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 DECEMBER 2004**

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**EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2004 – 2005.**

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**1. SUMMARY**

The Internal Audit Annual Plan requires that follow up reviews be conducted for all audits completed during the prior year. Internal Audit also document the progress made by departmental management in implementing the recommendations made by Audit Scotland and Internal Audit. A new reporting system was introduced and approved by the Audit Committee in August 2004. Set out below is the results from a review performed by Internal Audit for recommendations due to be implemented by October 2004.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 Appendix 1 is a statistical summary of the 2003/04 Internal Audit reports issued by the 9<sup>th</sup> of September 2004. It details the number of recommendations contained in each report, number of recommendations to be implemented by the follow up date, the number implemented and those past their implementation date. The implementation date used for reporting to this Audit Committee is the end of October 2004. A reference column has been added to provide a link to Appendix 2, where reasons are given by local management as to why recommendations have not been implemented by the agreed date. The same layout has been used for the reporting of Audit Scotland report recommendations.

3.2 Appendix 1 is split into 2 documents 1a & 1b. The first document refers to all reports with recommendations due August to October 2004. The second document lists action points outstanding from the previous Audit Committee. These are points that should have been implemented by the end of July 2004 for the last Audit Committee. The same layout has been used for the reporting of Audit Scotland report recommendations in Appendix 3 & 4.

3.2 Appendix 2, details under each report's title the recommendation that is still to be implemented, the department and Head of Service responsible and an explanation for the delay, the level of risk, original and a revised implementation date.

3.3 All new external audit reports issued by Audit Scotland to the Council are reported initially separately to the Audit Committee with their executive summary and action plan. Thereafter they will be included in the summary list in Appendices 3 & 4 of this report.

3.4 At the last Audit Committee it was requested that in future management should not use the comments, "none" and "none at present" with regard to revised implementation dates. This was made clear in correspondence to departmental strategic directors on the 29<sup>th</sup> of September 2004, and we are pleased to report that

this has been observed.

**REQUESTED SERVICE REPORTS**

- 3.7 A report entitled Networking Overview was issued by Audit Scotland in June 2004. At the last Audit Committee members requested that a report be presented by the Head of ICT and Financial Services regarding the measures being taken to address the network issues raised in the report. A report has been prepared by management and is attached in Appendix 5.
- 3.8 Separate reports have been prepared by the Head of Strategic Finance in respect of Budgetary Control and Sundry Debtors.

**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 3 November 2004.  
3Decfinalreport3Dec

Internal Audit Report Follow up - Summary

Reports With Recommendations Due From August To October 2004

Audit	Action points raised	Points to be actioned by 29 October 2004	Points actioned by implementation date	Behind Schedule	Reference to Appendix 2
Resource Link HR System	7	7	7	0	
Contract Tendering & Vetting	26	5	0	5	A5, 8, 9, 13, 14
General Ledger Operations	11	0	0	0	
E-Procurement	4	4	4	0	
Progress of Joint Future Agenda	9	8	3	5	B3, 4, 5, 6, 8
Purchase of Equipment & Materials	5	5	1	4	C1, 2, 4, 5
Public Transport Costs	4	3	3	0	
Review of Ferry Service	16	11	3	8	D2, 3, 4, 5, 6, 8, 11, 15
Year End Stock	3	0	0	0	
Transport VFM	15	13	12	1	E13
Cash & Income Banking	6	4	3	1	F6
HR Payroll - Resource Link	3	3	3	0	
Timesheet Input	6	3	2	1	G4
Car Allowances	9	9	1	8	H4, 7, 21, 22, 31, 33, 36, 38
Best Value and PMP	5	5	4	1	I1
Property Asset Mgt	1	1	0	1	J2
Treasury Mgt	130	81	46	35	
Total					

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**Points Outstanding From Previous Audit Committee**

<b>Audit</b>	<b>Points Still Outstanding From Previous Audit Committee</b>	<b>Points to be actioned by 29 October 2004</b>	<b>Points actioned by implementation date</b>	<b>Behind Schedule</b>	<b>Reference to Appendix 2</b>
Budgetary Preparation and Control	5	4	0	4	K1, 3, 4, 5
Sundry Debtor Accounts	1	1	0	1	L1
Supporting People	1	1	0	1	M9
Cash & Income Banking	1	1	1	0	
Creditor Payments / Purchase order & Certification	3	1	1	0	
Unified Benefits System	1	1	0	1	N5
Registration of Births etc	1	1	1	0	
Payments to Voluntary Assoc	1	1	0	1	O3
Contract Hire and Operating Leases	3	3	0	3	P2, 6, 11
DLO's	3	3	1	2	Q14, 17
Property Asset management VFM	3	3	1	2	I4, 8
Best Value and PMP	14	10	1	9	R2, 3, 10, 14, 17, 19, 35, 41, 42
Education VFM - Schools NPDO	2	2	1	1	S6
<b>Total</b>	<b>39</b>	<b>32</b>	<b>7</b>	<b>25</b>	

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**Action Points Behind Schedule – Internal Audit**

**A – Contract Tendering & Vetting**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
5	A lack of internal controls to confirm that goods and services, including contracts, have received prior approval and budgeted funding is available are ordered or let. There is a need to install the necessary internal controls to confirm expenditure has budgeted funds.	Corporate Services – Head of Democratic Services and Governance	This will be dealt with in the new Council constitution, which is currently out for consultation.	Material	Immediate (May 2004)	March 2005
8	The integrity of the Select Lists (Mail Merge) maintained on stand alone Council PC's, relating to CSO Para 2, by the Public Transport officer is not known.	Development Services - Head of Transportation & Infrastructure	The list maintained by the Public Transport is not a "Select List" within the meaning of the Council's Contract Standing Orders, paragraph 2. For the purposes of the provision of subsidised public transport the Council is a Tendering Authority within the terms of the Transport Act 1985 and is bound by the Code of Practice on Tendering made under that Act. The tendering authority can maintain lists of contractors interested in tendering but they cannot be subject to any form of pre-qualification. Tenders must be open tenders, i.e. the authority must issue a general invitation by whatever means they think will bring this to the attention of potential operators and individual invitation to anyone who has informed the authority of their wish to	Material	Immediate (June 2004)	N/A

APPENDIX 2

				receive these. (Such persons requesting invitations need not hold an 'O' Licence or permit – e.g. a consultant may request information on his client's behalf). Authorities should issue general invitations to tender both through the press and directly to persons who have indicated their wish to receive these.				
9	Select Lists maintained by departments on stand alone Council PC's do not show categories of work and financial limits to assist in the identification of contractors, at the tender selection stage, who are capable of carrying out the work. There is a need to amend spreadsheets to include categories of work and allied financial values.	Corporate Services – Head of Democratic Services and Governance	As in point 5 above	As in point 5 above	Fundamental	Immediate (May 2004)	March 2005	
13	Confirmation is required that the Select Lists have been published in the local press and appropriate trade journals	Corporate Services – Head of Democratic Services and Governance	As in point 5 above	As in point 5 above	Fundamental	Immediate (May 2004)	March 2005	
14	The lack of written procedures relating to the Selection and Invitation to Tender processes may expose the Council to potential criticism. There is a need to introduce appropriate written procedures	Corporate Services – Head of Democratic Services and Governance	As in point 5 above	As in point 5 above	Fundamental	September 2004	March 2005	



## B – Progress of the Joint Future Agenda

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
3	Budgetary procedures will require consideration before the introduction of pooled budgets.	Community Services – Head of Integrated Services	Training relating to the de-centralisation of budgets is planned for February 2005. This will not deal with the 'pooling' as each partner will continue to manage their budget separately with the exception of Delayed Discharge and Resource Release budgets.	Fundamental	Subject to continuous review.	Management have advised an implementation date of February 2005
4	The financial framework will vary as the Joint Future Agenda develops. The Joint Finance Group is committed to regular review of the financial framework.	Community Services – Head of Integrated Services	Draft financial framework has been in place since February 2004. Given no formal agreement on joint management and governance arrangements they remain in place as a draft. A pilot proposal for joint management arrangements was presented to the Strategic Management Team on the 22 <sup>nd</sup> October that will necessitate implementation of a financial framework. Implementation during mid 2005 for an 18-month period.	Fundamental	Subject to continuous review.	As above
5	Progression of the development and implementation of joint services and associated joint management arrangements both at high and local levels require continuous review.	Community Services – Head of Integrated Services	As above	Fundamental	Subject to continuous review.	As above
6	Corporate and political governance arrangements require further development. Ditto for joint clinical/service governance systems and	Community Services – Head of Integrated Services	Joint Governance sub group should report to Core Management group quarterly. A Division wide approach has recently been scrapped due to poor progress and a new Argyll & Bute wide group has been	Fundamental	Subject to continuous review.	November 2005

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
	clinical risk assessment and management systems.		established. First meeting on 9 <sup>th</sup> November 2005.			
8	Significant elements of the Joint Financial Framework regarding joint resourcing requires further development and documentation completion.	Community Services – Head of Integrated Services	Devised budgeting training for Social Work planned for February 2005 to allow for part implementation during 2005/06. High level of decentralisation exists in NHS.	Fundamental	Subject to continuous review.	Management have advised an implementation date of February 2005

**C – Purchase of Equipment & Materials**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	The Action Plan from the Creditors report issued in August 2003 had not been implemented. A meeting will be arranged with the Finance Managers to address the points raised in the Action Plan.	Corporate Services – Head of ICT & Financial Services	This meeting has not yet been arranged but Finance Managers will be contacted. This will be done after the budget process is complete	Fundamental	June 2004	January 2005
2	Departmental staff thought that training should be given to staff involved in processing creditor's payments. Formal training should be provided to staff involved in the creditors process.	Corporate Services – Head of ICT & Financial Services	As above	Fundamental	As soon as possible after the meeting in Action Point 1	As soon as possible after the meeting in Action Point 1

4	<p>There does not appear to be an agreed procedure for adding new suppliers to or deleting obsolete suppliers from the approved list. Procedures should be adopted for choosing new suppliers. There should also be a list of officers who can approve new suppliers. The Creditors Supervisor should review this list on a regular basis</p>	<p>Corporate Services – Head of ICT &amp; Financial Services</p>	<p>As above</p>	<p>Fundamental</p>	<p>As soon as possible after the meeting in Action Point 1</p>	<p>As soon as possible after the meeting in Action Point 1</p>
5	<p>There are examples that the same officer is authorising both purchase order forms and invoices for payment. Where possible there should be a segregation of duties to avoid the same officer being involved in too many stages of the process of ordering goods, authorising and paying of invoices</p>	<p>Departmental Finance Staff</p>	<p>As above.</p>	<p>Fundamental</p>	<p>As soon as possible after the meeting in Action Point 1</p>	<p>As soon as possible after the meeting in Action Point 1</p>

## D – Review of the Ferry Service

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	Fares are quite high in relation to other providers but are not related to a target level of income or a set level of affordability. A target will be set for the percentage of costs that should be recovered by fare income. Fares will be set accordingly in order to achieve this target whilst remaining affordable.	Operational Services – Head of Roads & Amenity Services	This is being covered by a review, which will be completed by December 2004.	Material	September 2004	December 2004
3	Only one Council vessel is included on the fixed asset register meaning there is an understatement of at least £575,000.	Chief Executives Unit - Head of Strategic Finance	Ferries will be on the Asset Register with Insurance Valuations for the 2004/05 Annual Accounts	Fundamental	Immediate (May 2004)	March 2005
4	A professional valuation will be obtained for each of the vessels to ensure that they are included at the correct value in the Council's records.	Operational Services – Head of Roads & Amenity Services	This is being covered by a review, which will be completed by December 2004.	Material	September 2004	December 2004
5	The repairs and maintenance of the ferries are not managed on an economic basis over the course of the expected life of the vessels. This results in high maintenance costs. Useful lives will be assigned to the	Operational Services – Head of Roads & Amenity Services	As above	Fundamental	September 2004	December 2004

6	<p>key components of the vessels to support an argument that replacement should occur at the most economical time.</p> <p>The objectives of the ferry service are not supported by clear targets and that data is not collected that would enable assessment against the objectives.</p> <p>The objectives for the ferry service will be revised as part of the revision of the <i>Access the Future</i> transport strategy.</p>	Operational Services – Head of Roads & Amenity Services	This is being covered by a review, which will be completed by December 2004.	Fundamental	October 2004 (end of peak season)	December 2004
8	<p>All ferries will carry a standard comment card for passengers to provide their opinions on specific aspects of the service. These will be collated and used to help determine the quality of the service.</p>	Operational Services – Head of Roads & Amenity Services	As above	Fundamental	Immediate (May 2004)	December 2004
11	<p>There are no monitoring arrangements in place for ensuring that the operators of the Jura and Lismore services are adhering to the terms of their contracts. A regular programme of monitoring activity will be put in place and undertaken by a</p>	Operational Services – Head of Roads & Amenity Services	As above	Fundamental	Immediate (May 2004)	December 2004

	named staff member who is fully aware of his or her duties in this area.					
15	There is a perceived lack of consensus as to the strategic objectives that the ferry service should have in the future. The service will produce a short questionnaire to be issued to ferry users, over a limited time period, regarding the service received on the journey. The results of this survey will be incorporated into the strategic consultation.	Operational Services – Head of Roads & Amenity Services	This is being covered by a review, which will be completed by December 2004.	Material	October 2004	December 2004

**E – Transport VFM**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
13	There is no customer satisfaction programme in place with results advised to client. The SLA will need to be amended.	Development Services - Head of Transportation & Infrastructure	There is a Community Services Transport Review Working Party reviewing this issue at present. The SLA will be amended to take account of any agreed output from this working group.	Material	August 2004	January 2005

**F – Cash & Income Banking 2004/05**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
6	Income from the public conveniences in Oban and Fionnphort do not reconcile to the expected income per the turnstile readings. On several occasions negative variances between expected and actual cash have been recorded. These variances should be investigated further by management and a satisfactory explanation must be obtained. Any problems with the cash machines or turnstiles must be rectified immediately.	Operational Services – Head of Roads & Amenity Services	A problem with the machines has been identified as the cause of the variances. Their replacement has been included within a works programme for action. This programme of work is driven by, order lead times and installation but is scheduled to be actioned prior to the commencement of the new holiday season.	Fundamental	Immediate (August 2004)	May/June 2005

**G – Car Allowances**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
4	Community Services to review the current authorised signatory lists and provide the Creditors section with an updated list with the necessary additions and deletions.	Community Services – Heads of Service	This action is ongoing. It is likely to be completed by March 2005.	Fundamental	October 2004	March 2005

## H – Best Value and PMP (1)

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
4	The Audit of Best Value will utilise the Council's own risk management framework as a basis to determine the service areas which are of highest risk to the Council. At present, the Council does not have a risk management framework.	Corporate Services - Head of Democratic Services & Governance	A draft Risk Management Policy and Strategy has been prepared. The strategy was agreed by the SMT in August 2004. However work is required to create an action plan and to review risk registers on an ongoing basis	Fundamental	April – October 2004	July 2005
7	Members need to have on-going information about Best Value and performance to enable them to undertake the responsibilities outlined in the Local Government in Scotland Act 2003.	Chief Executive's Unit - Policy & Strategy Manager	Reporting requirements are now part of the new performance management framework agreed by SMT (and due to be reported to the SPC in November).	Fundamental	July 2004 and Ongoing	November 2004 and ongoing
21	Areas of potential discrimination such as religion, sex, sexuality, marital status and age have not yet been fully addressed.	Chief Executive's Unit - Policy & Strategy Manager	This has been superseded by the revision of the Race Equality Scheme	Material	September 2004	N/A
22	Equality issues were not fully covered in the Human Resources Strategic Review.	Chief Executive's Unit - Policy & Strategy Manager	This has been superseded by the revision of the Race Equality Scheme	Material	October 2004	N/A



Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
31	Completion of a review of Single Status and Job Evaluation process has not been finalised by the due date.	Chief Executive's Unit - Head of Personnel Services	Resource constraints and operation delays have resulted in slippage	Material	September 2004	October 2005
33	It is difficult to assess the effectiveness of some of the actions identified in the Peoples Issues Action Plan	Chief Executive's Unit - Head of Personnel Services	Not actioned due to other priorities	Material	July 2004	March 2005
36	An action has not been included in the peoples issues action plan to review and report on the progress and effectiveness of the completed actions.	Chief Executive's Unit - Head of Personnel Services	Delays in preparation of report on Stress Management have resulted in this report being delayed.	Material	July/August 2004	March 2005
38	The Support Procedures Action Plan does not provide for the reviewing and reporting of progress and effectiveness of the identified actions.	Chief Executive's Unit - Head of Personnel Services	Target was revised due to changes in personnel.	Material	August 2004	December 2004

I – Property Asset Management

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	The Council should decide whether a single asset management and asset register system should be adopted.	Development Services – Head of Transport & Infrastructure	The draft asset management strategy and the executive summary have been sent out for consultation with internal council departments; these documents are due to be presented to the SMT for review and approval during November 2004. When approved, these documents will form the basis for developing a single Asset Management process for the Council.	High	September 2004	November 2004
4	The 74 assets included within the Asset Register but not the Property Register should be investigated and the Asset Register records validated or removed.	Chief Executives Unit - Head of Strategic Finance Development Services - Head of Strategic Finance	This has been completed as far as the 2003/04 Annual Accounts are concerned but in respect of wider asset planning and future years' accounts there are still issues to be addressed in the completion of the Asset Register.	High	May 2004	March 2005
8	The 11 assets on the Asset Register that are no longer owned by the Council should be reviewed and, if appropriate, removed.	Chief Executives Unit - Head of Strategic Finance	As above	High	April 2004	March 2005

## J – Treasury Management

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	There was no formal training programme for Treasury staff although staff attended workshops, seminars, user group meetings and Treasury Forums.	Chief Executive's Unit – Head of Strategic Finance	This was delayed as staff were involved in the resolution of issues relating to the Annual Accounts.	Minor	September 2004	November 2004

## K – Budgetary Control

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	Budget setting and monitoring are still not adequately linked to the quarterly reporting of service delivery and performance.	Chief Executive's Unit – Head of Strategic Finance	The Head of Strategic Finance will submit a separate report to the Audit Committee	Fundamental	May 2004	See separate report
3	Budget holders receive no formal training in financial control or the nature of the Council's budgetary control systems.	Chief Executive's Unit – Head of Strategic Finance	As above	Fundamental	May 2004	See separate report
4	There are no Council wide policies and procedures covering the responsibilities of budget holders in monitoring their budgets.	Chief Executive's Unit – Head of Strategic Finance	As above	Fundamental	March 2004	See separate report

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
5	The department does not have a set of procedures for its own budget holders to work to.	Chief Executive's Unit – Head of Strategic Finance	As above	Fundamental	March 2004	See separate report

**L – Sundry Debtors**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	There are certain categories of income where the debtor accounts are unlikely to be collected.	Chief Executive's Unit – Head of Strategic Finance	The Head of Strategic Finance will submit a separate report to the Audit Committee	Fundamental	July 2003	See separate report

**M - Government Grants – Supporting People**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
9	There is no dedicated IT support for the Supporting People team as recommended by the Executive's <i>Strategic Guidance</i> .	Community Services – Head of Community Regeneration	Proposals are currently being considered to consolidate ICT support across all areas of Community Services. It is anticipated the proposals will be finalised by December and implemented by April 2005.	Material	June 2004	April 2005

**N – Unified Benefits System**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
5	The duties of Benefit Fraud Officers are to be reconsidered when they come under the line management of the Benefits Officer.	Community Services – Head of Community Regeneration	Fraud posts transferred to Benefits – 1st April 2004. Lead Counter Fraud Officer PDR to be held November 2004. Job description will be agreed at that point. This will then cascade down to rest of Fraud team.	Material	April 2004	November 2004

**O – Payments to Voluntary Associations**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
3	Council Officers, who act as advisors to Care & Repair, have no specific guidance on their responsibilities when representing the Council. Council Officers to be made fully aware of their responsibilities to both parties when representing the Council on the board of Care & Repair.	Corporate Services – Head of Democratic Services & Governance	It was decided at the previous follow up that responsibility for this action would change from the Head of Community Regeneration to the Head of Democratic Services & Governance. Work is ongoing.	Material	Immediate (February 2004)	December 2004

P – Operating Leases

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	Several leases in the areas under review failed the SSAP21 AND Section 94 definitions of operating leases	Chief Executive's Unit – Head of Strategic Finance	Following the introduction of the Prudential Code, decisions on operating leases, finance leases or purchase of assets will be based on the lowest cost of financing. Strategic Finance will make recommendations to the Council as to the best method of financing the acquisition of assets. Hence there is no need for training on leasing for frontline staff.	Fundamental	April 2004	N/A
6	None of the services reviewed had any procedures for tendering, monitoring or terminating lease agreements.	Chief Executive's Unit – Head of Strategic Finance	Strategic Finance will adhere to the Council's Financial & Security Regulations regarding tendering, monitoring or terminating of lease agreements. Any issues which arise in terms of monitoring / termination of leases will be addressed by contacting the Council's lease advisers for advice.	Fundamental	April 2004	N/A
11	Several properties were missing from the 2002/03 operating leases note.	Corporate Services - Head of Legal & Protective Services	Not yet complete. Revised date of March 2005. Agreement needs to be reached between Finance and Estates on the list of operating leases. Priority was given to the exercise of reconciling the properties on the Property and Asset Registers.	Material	August 2004	March 2005

**Q – DLO's**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
14	DLO Management in consultation with IT professionals should actively pursue an integrated stores system thus eliminating the inefficient and manually intensive processes currently employed.	Operational Services – Head of Facility Services	This has been delayed until the future of DLO, as a Council function has been resolved. As an interim measure, the DLO has, in conjunction with the Council's E Procurement Team, taken forward collaborative buying initiatives with other local authorities to improve the efficiency, transparency and reduce the costs of material procurement.	Fundamental	Immediate (October 2003)	Revised date to be determined
17	The Roads Costing System should be adapted for use by the DLO to improve the costing figures for Buildings DLO Jobs	Operational Services – Head of Facility Services	This has been delayed until the future of DLO, as a Council function has been resolved. Interim solutions have been introduced to existing systems to provide required visibility.	Fundamental	Immediate (October 2003)	Revised date to be determined

**R – Best Value and PMP (2)**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	The Best Value Statutory guidance requires services to have a BV strategy, and vision.	Chief Executive's Unit - Policy & Strategy Manager	This is part of the performance management framework agreed by SMT (due to be reported to the SPC in November 2004).	Fundamental	March 2004	November 2004
3	The Local Government in Scotland Act (LGSA) requires councils to measure performance using outcome rather than output	Chief Executive's Unit - Policy & Strategy Manager	Original timescale and target unrealistic. Now part of the performance management framework agreed by SMT.	Fundamental	April 2004	November 2004

10	performance measures. Although phase one of the Council's PPRg framework received commendations from the Scottish Executive, the framework has to be adapted and expanded to incorporate the additional requirements outlined in the statutory guidance.	Chief Executive's Unit - Policy & Strategy Manager	This is part of the performance management framework agreed by SMT (due to be reported to the SPC in November 2004).	Fundamental	February 2004	November 2004
14	Some sections/departments have not carried out a self-assessment PMP review exercise.	Chief Executive's Unit - Policy & Strategy Manager	The Policy & Strategy Manager feels that this action is no longer applicable. Work on self-assessment will be incorporated in preparatory work for the Best Value Audit.	Fundamental	May 2004	N/A
17	The council has the intention to regularly review the Equal Opportunities Policy but does not have a programme of review set down.	Chief Executive's Unit - Policy & Strategy Manager	This has been superseded by the revision of the Race Equality Scheme (published September 2004) and this will inform the Equal Opportunities Policy.	Material	January 2004	N/A
19	Specific targets and indicators have not been developed to redress potential inequality in implementing the race equality scheme.	Chief Executive's Unit - Policy & Strategy Manager	This has been superseded by the revision of the Race Equality Scheme (published September 2004) and this will inform the Equal Opportunities Policy.	Material	January 2004 and ongoing	N/A
35	It is not clear the extent to which Central Personnel supervise/audit departmental procedures.	Chief Executive's Unit - Head of Personnel Services	Due to other areas of work being given priority, policy reviews are constrained by resources. Reviews are prioritised on the basis of statutory changes, which impact on Council policies and the level of resources available to undertake them.	Fundamental	Ongoing	N/A
41	It has so far taken 2 years to complete the Legal Services Strategy Review.	Corporate Services - Head of Legal & Protective Services	Some actions are complete. Discussions ongoing through SMT regarding a partnering arrangement with an external firm.	Fundamental	March 2004	Revised date dependent on SMT decisions



42	Most of the actions included in the review report are outputs rather than outcomes.	Corporate Services - Head of Legal & Protective Services	Some actions are complete. Discussions ongoing through SMT regarding a partnering arrangement with an external firm.	Material	March 2004 and ongoing	As above
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**S - Education VFM – Schools NPDO**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
6	The period between the appointment of the provisional preferred bidder and financial close is around 15 weeks less than average for similar projects. The legitimate additional costs associated with missing financial close should be assessed and the provisional preferred bidder will be requested to provide an estimate of how much these costs will be.	Community Services - Head of Service – Capital Project	A report of the estimated costs associated within missing financial close date will be prepared and presented at the next meeting of the Project Board in November 2004	Fundamental	Immediate (March 2004)	November 2004

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**External Audit Reports With Recommendations Due From August To October 2004**

Audit	Action points raised	Points to be actioned by 29 October 2004	Points actioned by implementation date	Behind Schedule	Reference to Appendix 4
2001/02 Management Report - Regularity and Governance	1	0	0	0	
2001/02 Performance Audit - Trading Standards	2	2	2	0	
2002/03 Commissioning Community Care Services for Older People	4	2	1	1	A1
2002/03 Performance Audit - Management of Community Equipment and Adaptations	17	17	5	12	B1, 2, 3, 4, 5, 8, 12, 14, 15, 20, 22, 23
2002/03 Regularity and Governance (2)	6	6	1	5	C1, 8, 17, 20, 21
E-Government Preparedness	1	1	1	0	
2003/04 Regularity & Governance (2)	16	16	13	3	D7, 14, 18
Prudential Code	2	2	1	1	E1
Networking Overview	5	5	2	3	F1, 2, 4
<b>Total</b>	<b>54</b>	<b>51</b>	<b>26</b>	<b>25</b>	<b>0</b>

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**External Audit Points Outstanding From Previous Audit Committee**

Audit	Points Still Outstanding From Previous Audit Committee	Points to be actioned by 31 July 2004	Points actioned by implementation date	Behind Schedule	Reference to Appendix 4
2002/03 Performance Audit - Management of Community Equipment and Adaptions	2	2	0	2	B6, 19
Prudential Code	2	2	0	2	E2, 6
Total	4	4	0	4	

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**Action Points Behind Schedule - Audit Scotland Reports**

**A – 2002/03 Commissioning Community Care Services for Older People**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
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	Community Services – Head of Planning & Performance	The responsible Officer concurs that the devising/maintaining of a system to record and analyse unmet need should be postponed until at least April 2005.	Medium	October 2004	April 2005

**B – 2002/03 Performance Audit – Management of Community Equipment and Adaptations**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	A system should be introduced to separately record the Authority's expenditure, referrals and assessments on equipment and on adaptations.	Community Services – Head of Community Support	Project Board for Care First review has now been established though it has not as yet met. However, timescale for implementation to resolve this matter has carried forward to 31 <sup>st</sup> March 2006. Secondary systems are being developed via the Department Planning Section as an interim measure to allow annual PI's to be recorded. Timescale, February 2005.	Not stated in original report	August 2004	March 2006
2	A review of activity recording should be undertaken to ensure consistency and accuracy	Community Services – Head of Community Support	As above.	As above	August 2004	As above

## APPENDIX 4

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.	Community Services – Head of Community Support	Project Board for Care First review has now been established though it has not as yet met. However, timescale for implementation to resolve this matter has carried forward to 31 <sup>st</sup> March 2006. Secondary systems are being developed via the Department Planning Section as an interim measure to allow annual PI's to be recorded. Timescale, February 2005.	Not stated in original report	August 2004	March 2006
4	The information system should be revised to record assessments completed, individual pieces of equipment issued, individual adaptations installed and completions.	Community Services – Head of Community Support	As above.	As above	August 2004	As above
5	Changes to the information system should be implemented to enable completions to be analysed by client group.	Community Services – Head of Community Support	As above.	As above	August 2004	As above
6	The Council should consider the effect of demographic and other environmental changes in planning for the future needs of the service.	Community Services – Head of Integrated Care	3-5 year Business Plan to be completed for clients with Physical Disabilities for 31 <sup>st</sup> March 2005	As above	Date to be agreed by planning department	March 2005
8	The Council should identify standards for storing, transporting and cleaning equipment and periodically audit the arrangements to ensure compliance.	Community Services – Head of Community Support	Timescale has changed to 31 <sup>st</sup> March 2005. These issues will be incorporated into the Business Plan noted in point 6 above.	As above	August 2004	March 2005



12	The Council should introduce systems to monitor equipment and adaptation waiting lists and waiting times.	Community Services – Head of Community Support	Date amended to 31 <sup>st</sup> March 2005 to link in with Business Plan noted in point 6 above.	Not stated in original report	August 2004	March 2005
14	Consideration should be given to establishing and reporting information on the level of recycling of equipment.	Community Services – Head of Community Support	As above.	As above	August 2004	As above
15	A service, maintenance and repair policy should be developed within the local service.	Community Services – Head of Community Support	As above.	As above	August 2004	As above
19	Council budgeting processes should be reviewed for major and minor adaptations and the level of unmet need determined and reported.	Community Services – Head of Planning & Performance and Head of Community Support	Not completed. Ongoing as part of assessment and care management procedures. Collection of unmet need will link in with Care First Review and implementation of e-care solution to Single Shared Assessment. These are not likely until April 2006. Planning section presently working on alternative interim system for implementation February 2005.	As above	December 2003	April 2006
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.	Community Services – Head of Planning & Performance	As above.	As above	December 2003	As above
22	Consideration should be given to establishing and reporting information on the level of recycling of adaptations	Community Services – Head of Planning & Performance	As above.	As above	December 2003	As above

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.	Community Services – Head of Planning & Performance and Head of Community Support	To link in with Business Plan for clients for Physical Disability for 31 <sup>st</sup> March 2005.	As above	December 2003	March 2005
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**C – Regularity & Governance (2) 2002/03**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	A Council wide budgetary control procedures manual should be produced and circulated to all budget holders.	Chief Executive's - Head of Strategic Finance Accounting Services Managers	The Head of Strategic Finance will produce a separate report to the Audit Committee	High	31 March 2004	See separate report
8	Training events for budget holders should cover the completion of monitoring forms and the level/detail of response required.	Chief Executive's - Head of Strategic Finance	The Head of Strategic Finance will produce a separate report to the Audit Committee	Low	31 March 2004	See separate report
17	The basis and reasons for qualitative assessments of bids should be carefully recorded and retained. Standing Orders should clearly state this requirement.	Corporate Services – Head of Democratic Services & Governance	This will be dealt with in the new Council constitution, which is currently out for consultation.	Medium	October 2003	March 2005

20	Review dates should be set for key policies procedures and control framework documents. This includes Standing Orders and Financial Regulations.	Corporate Services – Head of Democratic Services & Governance	As above	Medium	October 2003	March 2005
21	A comprehensive IM&T Strategy should be prepared.	Heads of Service	The Head of ICT & Financial Services will produce an outline document for ICT Strategy by December 2004. This was delayed as we were awaiting the outcome of the MG3 bid. A strategy specific to the finance function will be prepared after this.	Low	30 September 2004	December 2004

**D – Regularity & Governance (2) 2003/04**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
7	A larger safe should be acquired to allow cash to be securely held.	Operational Services – Central Services Manager	Safe has now been ordered and currently awaiting delivery.	Medium	June 2004	N/A
14	3 year rolling targets should be approved for the trading activities	Chief Executive's - Head of Strategic Finance	Approved as part of the Council's Budget process.	Medium	Ongoing	March 2005
18	The Security and Financial Regulations should be amended to incorporate changes arising from the introduction of Trading Accounts Legislation.	Corporate Services – Head of Democratic Services & Governance	This will be dealt with in the new Council constitution, which is currently out for consultation.	High	August 2004	March 2005

## E - 2003/04 Audit: Prudential Code

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
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.	Chief Executive's - Head of Strategic Finance	This is being dealt with as part of the budget process.	High	31 <sup>st</sup> October 2004	March 2005
2	Officers should calculate the outstanding Incremental Cost of Borrowing indicator.	Chief Executive's - Head of Strategic Finance	Bruce West to clarify this position with Don Peebles of CIPFA.	Medium	30 June 2004	After clarification from CIPFA
6	The Financial Regulations and Scheme of Delegation are to be revised to incorporate the requirements of the Prudential Code.	Chief Executive's - Head of Strategic Finance	This is currently out for consultation.	Medium	30 June 2004	March 2005

## F – Networking Overview

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	We support the creation of an ICT Steering Group and recommend that the ICT Strategy should embrace a network strategy that is capable of supporting the Council's Strategic Objectives.	Corporate Services – Head of ICT & Financial Services	See separate report on Networking Overview form the Head of ICT & Financial Services.	High	August 2004	See separate report
2	The responsibility for control and co-ordination of devices connected to the network should be clearly defined. A Council-wide network strategy recommended in point 1 above can serve as good starting point, supported by clearly defined management responsibilities to address this potential risk.	Corporate Services – Head of ICT & Financial Services	As above	High	August 2004	See separate report
4	The Council should consider employing an intrusion detection system on their networks to help detect any unauthorised activity. Such monitoring should be automated, with the IDS (Intrusion Detection System) configured to send alerts and reports on activity.	Corporate Services – Head of ICT & Financial Services	As above	Medium	September 2004	See separate report

APPENDIX 4

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**ARGYLL AND BUTE COUNCIL**  
**Head of ICT and Financial Services**

**AUDIT COMMITTEE**

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### **2003/04 Networking Overview**

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The Audit Committee of 27 August 2004 requested a report on the measures being taken to address the network issues identified in the Networking Overview by Audit Scotland. Members will recall the update of 30 July 2004 and the difficulties in allocating sufficient resources to progress actions 2, 3 and 4. We have managed to make some progress on these issues within existing resource, and have identified funding from staff vacancies which will be used to hire a contractor to enable us to make further progress in the current financial year. Future progress will also be dependent on resources being available, and the forthcoming budget round will include these areas as new cost pressures and will be considered by Members as part of their review of revenue budgets. Current progress on all of the recommendations is described in more detail below.

#### **Action 1:**

*We support the creation of an ICT Steering Group and recommend that the ICT Strategy should embrace a network strategy that is capable of supporting the Council's Strategic Objectives*

Progress:

A number of reports have been submitted to the SMT, SMOG and SPC in recent months which culminated in approval from the SPC on 7 October to go out to tender for an upgrade to our network. The intention is to have full costs for the preferred option available for consideration in February 2005 when the Council debates the revenue budget for 2005/06 and reviews the capital programme for 2005-2008. This has now been set up as a formal project to provide high bandwidth links between the Council's major sites. The reports and the resulting Project Initiation Document (PID) will form the basis of the new networking strategy to be presented to the ICT Strategy Group at their next meeting.

#### **Action 2:**

*The responsibility for control and co-ordination of devices connected to the network should be clearly defined. A Council-wide network strategy recommended in point 1 above can serve as good starting point, supported by clearly defined management responsibilities to address this potential risk.*

Progress:

Several controls governing the connection of devices to the Council's corporate network have now been introduced and agreed at both the IT Security Forum and the IT User Forum. These include new Port Level Security controls, a new Wireless strategy and a new desktop lockdown policy. The port level security means that no new device can be connected to the Council's corporate network without formal approval from the IT department. Departmental IT engineers are responsible for implementing the new wireless standards and the desktop standards within departments. ICT and Financial Services has a program for implementing these standards for central support services.

**Action 3:**

*Ongoing monitoring of the network's ability to function within acceptable parameters should be implemented. This monitoring should provide valuable information relating to traffic volumes, data flows, trends and anomalies to aid management and strategic planning functions.*

**Progress:**

The networks section has purchased a network monitoring tool called Statscout and is now reactively monitoring the volumes, trends and anomalies outlined above. Statscout provides information about the level of usage of each port and produces warning messages when usage exceeds certain pre-determined levels. This allows an investigation, using the probes now in place on all the main sites, of unusually high levels of activity and appropriate corrective action to be taken where necessary.

In addition, external contractor expertise will be recruited to assist with additional proactive analysis using both Statscout and HP Openview and the costs reflected in the forthcoming budget process. Some funding for this can be made available for this financial year from existing budgets in order to kick-start this activity.

We have identified that network capacity is indeed limited, and have addressed this through a ban on personal access to the Internet as this was taking a considerable chunk of available capacity, and through the progress being made towards an upgrade of capacity for the main sites. This is in addition to the Council's involvement in the Highland and Islands Aggregated Broadband procurement project which will see a significant increase in network capacity for all school and main council offices. The Scottish Executive are funding this project to the extent of £63m. The current project plan foresees a contract award in 2006 with roll-out to sites completed by 2008. The shorter term upgrade of the Council's network being tendered for shortly is intended to bridge the gap until the Broadband project is implemented.



**Action 4:**

*The Council should consider employing an intrusion detection system on their networks to help detect any unauthorised activity. Such monitoring should be automated, with the IDS (Intrusion Detection System) configured to send alerts and reports on activity.*

Progress:

An external contractor will be employed to assist in the selection and implementation of an Intruder Detection system. Phase 1 of the project will follow the normal tender procedures and will be concluded this financial year with the selection of an appropriate product and supplier. The implementation will commence at the earliest possible date. All costs for this project will be reflected in the forthcoming budget process.

**Action 5**

*Recent changes to procedures should be documented and collated for ongoing reference as it is being developed and updated.*

Progress

Complete. A procedure database has been developed and is updated as changes are agreed.

Judy Orr  
Head of ICT and Financial Services  
3 November 2004

For further information please contact: Gerry Wilson x8936

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**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
3 DECEMBER 2004**

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**PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004 - 2005**

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**1. SUMMARY**

An interim progress report has been prepared covering the audit work performed by Internal Audit up to the 22<sup>nd</sup> of October 2004. The objective of the report is to advise members of the progress of the annual audit plan. (See Appendix 1).

**2. RECOMMENDATION**

2.1 The Audit Committee is asked to approve the progress made with the annual audit plan for 2004 - 05.

**3. BACKGROUND**

3.1 The progress report contained in Appendix 1, lists the audits scheduled for the financial year 2004 –2005 and ordered by section and level of completion.

3.2 As at the 22<sup>nd</sup> of October 2004, of 20 core financial systems audits, 6 have been completed with reports issued. Of the remaining 14 audits, 7 have been started and 7 audits remain to be started and completed before the end of the financial year.

3.3 A total of 11 non-financial audit areas have been planned for this financial year. As at the 22<sup>nd</sup> of October 2004, a total of 6 audits have been completed with reports issued. This leaves 5 audits of which 3 audits have been started and 2 audits remain to be started and completed before the end of the financial year. Of the remaining 2 audits KPMG has been assigned one.

3.4 On reaching the end of the 2<sup>nd</sup> quarter it offered the opportunity to reevaluate the number of estimated audit days for Special Investigations and Other Areas. A total of 160 days were allocated within the Annual Audit Plan for Special Investigations. As at the 22<sup>nd</sup> of October 2004, a total of 30 days have been expended on 3 investigations. This leaves a balance of 130 days for the remaining 5 months. Other Areas - Follow-up work was assigned 101 days within the Annual Audit Plan and at the 22<sup>nd</sup> of October, it was noted that this area had used up more time than had been originally planned. In order to address this issue and at the same time establish a more reasonable contingency for Special Investigations, 50 days have been transferred to Other Areas. (See table below).

<b>Days 2004/05</b>	<b>August</b>	<b>October</b>	<b>Diff.</b>
Special Investigations	160	110	50
Other Areas	101	151	50

- 3.5 The transfer of days should provide Internal Audit with the required days for the remainder of this financial year for follow - up work, whilst still leaving Special Investigations with a reasonable contingency. The reviews carried out for the external audit reports are the subject of separate reports to the Audit Committee

**4. SUMMARY OF AUDIT ACTIVITIES FOR 2004 - 2005**

- 4.1 Two members of the audit team, an Auditor and Audit Assistant, applied for promoted posts out with Internal Audit. This has resulted in both achieving seconded posts within the Corporate Finance team. The duration of these secondments is for the Auditor, 12 months and for the Audit Assistant, 6 months. Action was taken to limit any progress issues with the Annual Audit Plan, by recruiting an experienced contract auditor to provide cover until March 2005, when the position will be reviewed again. Progress of the Annual Audit Plan and required resources will be looked at on a continuous basis.
- 4.2 In overall terms, good progress is being made with the Annual Audit Plan and the section is in a reasonable position to progress the rest of the audits.

**5. CONCLUSION**

Progress is being made on audits planned for 2004 – 05.

**6. IMPLICATIONS**

- |     |                      |   |
|-----|----------------------|---|
| 5.1 | Policy:              | Update on audit plan for 2004 – 05.                     |
| 5.2 | Financial:           | The audit plan is based on existing budgeted provision. |
| 5.3 | Personnel:           | None  |
| 5.4 | Legal:               | None  |
| 5.5 | Equal Opportunities: | None  |

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

Ian Nisbet  
Internal Audit Manager 3 November 2004.  
3Decemberprogreport3Dec

## Assessment of audit days: 2004-2005 strategic plan

AUDIT WORK SCHEDULE	Last audited	Risk ranking	Original Estimated Audit Days 2004-05	Revised Estimated Audit Days 2004-05	Actual Audit Days 2004-05	Balance
<b>Core financial systems</b>						
<b>COMPLETE</b>						
Government Grants - Education	2003-04	1	21	21	31	-10
Stock taking	2003-04	1	16	16	23	-7
Cash & Income Banking - Oban	2003-04	1	21	21	26	-5
Car Allowances	2003-04	3	21	21	20	1
Debtor Accounts	2003-04	1	21	21	20	1
Direct Transport Costs	2003-04	4	21	21	22	-1
<b>STARTED</b>						
Budgetary preparation & control	2003-04	1	16	16	4	13
E-Procurement Creditors	2003-04	2	31	31	1	30
Unified Benefits System	2003-04	2	51	51	3	48
Housing Rents	2003-04	1	21	21	1	20
Council Tax & NDR	2003-04	2	31	31	5	26
Capital Accounting	2003-04	1	21	21	15	6
HR Payroll	2003-04	3	43	43	22	21
<b>NOT STARTED</b>						
Purchases of equipment and Materials	2003-04	2	21	21	0	21
Purchase Ordering and Certification	2003-04	3	31	31	0	31
General Ledger Operations	2003-04	2	21	21	0	21
Treasury management	2003-04	2	21	21	0	21
Tendering Procedures	2003-04	3	21	21	0	21
Capital Contracts	2003-04	3	21	21	0	21
Following Public Pound Voluntary Organisations	2003-04	4	21	21	0	21
<b>Section Total</b>			<b>492</b>	<b>492</b>	<b>192</b>	<b>300</b>
<b>Non-financial systems / Best Value / VFM</b>						
<b>COMPLETE</b>						
Council Wide Pls	2003-04	1	43	43	42	1
Operational Services Ferry Review	2003-04	2, 8	21	21	25	-4
Chief Exec BV Interim	2003-04	3	32	32	31	1
Chief Exec PMP	2003-04	3	35	35	33	2
DLOs Significant Trading Operations	2003-04	4, 7, 9	21	21	17	4
Council Wide Corporate Gov.	2003-04	1	32	32	29	3
<b>STARTED</b>						
Community Services - Transport	2003-04	3, 4, 11	21	21	1	20
Corporate Services IT KPMG	2003-04	1	32	32	1	31
Community Services - HMle	2003-04	9, 10	21	21	18	3
<b>NOT STARTED</b>						
DSOs Catering and Cleaning	2003-04	1	48	48	0	48
Development Services - e-Planning KPMG	2003-04	3, 6	21	21	0	21
<b>Section Total</b>			<b>327</b>	<b>327</b>	<b>197</b>	<b>130</b>
<b>Actual Direct Audit Time</b>			<b>819</b>	<b>819</b>	<b>389</b>	<b>430</b>
<b>Special investigations contingency</b>						
Dangerous Buildings	-	-	110	110	23	80
Housing Grants					4	
HITRANS					3	
<b>Section Total</b>			<b>110</b>	<b>110</b>	<b>30</b>	<b>80</b>
<b>Other Areas</b>						
Risk assessment, strategic plan, annual plans			30	30	4	26
Follow-up external audit management letter			51	51	44	7
Internal audit follow up			70	70	61	9
<b>Section Total</b>			<b>151</b>	<b>151</b>	<b>109</b>	<b>42</b>
<b>TOTAL</b>			<b>1080</b>	<b>1080</b>	<b>528</b>	<b>552</b>

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**ARGYLL & BUTE COUNCIL**  
**STRATEGIC FINANCE**

**AUDIT COMMITTEE**  
**3 December 2004**

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**KPMG work plan for Internal Audit partnering contract**

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**1. SUMMARY**

- 1.1 This report proposes a schedule of work to be undertaken by KPMG as internal audit partners with the in house internal audit team and requests that the Committee approve it.

**2. RECOMMENDATIONS**

- 2.1 That this committee approves the revised work plan for the current year.

**3. DETAILS**

- 3.1 The objective of the partnering arrangement is to develop the internal audit function at the Council to a position where:

- It services the Council's internal audit requirements in accordance with good practice; and
- In any follow-up review of internal audit functions at Scottish Local Authorities by Audit Scotland, that of Argyll and Bute will be classed as amongst the best.

- 3.2 A work plan was presented to the last Audit Committee who requested 2 amendments. The first related to 10 days time allocated to the development of an Audit Committee handbook. This has been re-allocated to direct audit time.

- 3.3 The second amendment request related to the use of EFQM as a means to implement a continuous improvement process with the audit team. The Audit Committee felt that this was an inappropriate methodology to employ and this revised work plan allocates that time to working with the in-house audit team in developing a more bespoke process for implementing continuous improvement in the audit team as required by the Audit Scotland follow-up review of internal audit and the wider Best Value agenda in local authorities.

**4. IMPLICATIONS**

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

Steve Keightley  
Manager  
3 November 2004  
KPMGworkplan200



## Appendix 1

## KPMG DAY ALLOCATION

Activities	Days	Detail	Personnel	Timescale
Risk Assessment / Audit Strategic Plan 2005 onwards	25	Assist with development of risk management process across the Council and its basis for the 3/5-year strategic audit plan.	Steve Keightley	25 days from end of July to January '05
Management and professional support	15	Advice and information relating to audit practice. Assistance with development of continuous improvement process. Support with Local Report recommendation implementation	Steve Keightley main contact	Throughout the year
Training - formal	15	Audit Committee training / induction for new start / IT in systems audits / direct audit testing.	Steve Keightley with assistance from Information Risk Management (IRM) and public sector teams	Throughout the year
IT audit	20	1/ Disaster Recovery 2/e planning. Scope of each audit in covering report.	IRM Team	1/ November 2/ TBC
Other direct audit time	30	As required by A&B internal audit team.	KPMG internal audit personnel	November / February
Audit committee attendance	8		Steve Keightley / Grant Macrae	Throughout the year
Meetings/relationship management/audit functioning	12		Various	Throughout the year
<b>Total</b>	<b>125</b>			

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**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
3 DECEMBER 2004**

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**AUDIT STRATEGY AND THE DEVELOPMENT OF A 3 YEAR STRATEGIC AUDIT PLAN**

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**1. SUMMARY**

The internal audit team at Argyll and Bute Council provide a service to management and the Audit Committee by reviewing activities, recommending control improvements and giving an opinion on the risk and control environment. The effectiveness of the service is enhanced if over a reasonable timescale all areas of significant risk have been reviewed. Internal audit have prepared an audit strategy to guide the development of a 3-year strategic audit plan, which will be presented to the Audit Committee for approval in March 2005.

**2. RECOMMENDATIONS**

2.1 The Committee is asked to approve the Audit Strategy.

**3. DETAILS**

3.1 The Audit Strategy outlines the approach taken in planning the work of the internal audit team over the next three years. In order to give an opinion on the Council's risk and control environment an Audit Needs Assessment (ANA) will be developed taking into account an assessment of risk. The audit resources required to undertake the work identified in the ANA will be assessed and a practical internal audit strategic work plan produced. (See Appendix 1).

3.2 To develop a three-year strategic plan in accordance with this strategy, taking into account management's assessment of risk, internal audit intend to meet the Strategic Management Team and the departmental management teams to present to them the approach to risk assessment. Members of these teams will then be given an information pack, which will contain a form for completion where they can identify risks and give their assessments as to the possible impact of the risk and its probability. On receipt of these risk assessments internal audit will collate the various responses and return to the management teams to clarify and discuss their assessments. The final stage will be to develop the Audit Needs Assessment based on the finalised risk assessments.

3.3 The timetable for the process detailed at paragraph 3.2 is as follows:

- Mid-November to early December 2004 – Opening meetings with management teams and issue of information packs.
- Mid December 2004 to Mid January 2005 – collation of individual risk assessments
- Mid January to end of January 2005 – return to management teams to clarify
- First week of February 2005– Development of Audit Needs Assessment

and 3 year strategic audit work plan

- March 3<sup>rd</sup> – presentation of Strategic audit work plan to the Audit Committee for approval.

**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)

Steve Keightley  
Manager  
KPMG LLP  
3<sup>rd</sup> November 2004

## 1. INTERNAL AUDIT OBJECTIVES

- 1.1 Our mission statement is, “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.”
- 1.2 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.
- 1.3 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.
- 1.4 To advise management on cost effective controls for new or modified systems and activities.
- 1.5 To highlight opportunities to reduce costs through greater economy and efficiency within systems and activities.
- 1.6 Internal Audit areas of focus include:
  - Internal control effectiveness;
  - Statutory, procedures and control compliance;
  - Implementation of recommendations;
  - Corporate governance;
  - Systems development;
  - Process improvement; and
  - Value for money and Best Value.

## 2. AUDIT SCOPE

- 2.1 The scope of internal audit includes the examination and evaluation of 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.

- 2.2 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. AUDIT PLAN DEVELOPMENT 2005 - 2008**

- 3.1 To develop a three-year strategic plan, taking into account management's assessment of risk, internal audit intend to meet the Strategic Management Team and the departmental Strategic Directors and their management teams to present to them the approach to risk assessment. Members of these teams will then be given an information pack, which will contain a form for completion where they can identify risks and give their assessments as to the possible impact of the risk and its probability.
- 3.2 On receipt of these risk assessments internal audit will collate the various responses and return to the management teams to clarify and discuss their assessments. The final stage will be to develop the Audit Needs Assessment (ANA) based on the finalised risk assessments.
- 3.3 The ANA, defines the various areas and topics requiring to be audited, and ranks them in order of priority, thus ensuring that internal audit resources are efficiently and effectively targeted. It further enables the audit committee to review the effect of any decision made regarding audit scope and resources. Additionally, Council management and internal audit are able to determine the level of internal audit work, which is appropriate to enable a reasonable level of assurance to be given on the Council's systems of internal control through identification of the higher risk areas, number of audit days based on the number of internal audit posts.
- 3.4 The strategic and annual internal audit plans translate the results of the needs assessment exercise into a detailed schedule of assignments. Over the planned period, these assignments will address the areas of risk identified by the needs assessment and will allow internal audit to provide an annual assurance statement on the Council's overall control framework.
- 3.5 The annual internal audit plans have two elements to them direct and non - direct audit time. Direct audit work is split into core financial and performance audits. The audits within both of these areas will be allocated a specific number of days and include a proportion of time for Planning, Field Work, Report Writing and Management Review.
- 3.6 In addition to specific audits there are a number of days added in for Special Investigations and Other Areas, which include audit plan management, external and internal audit follow up. The second element of the audit plan is non-direct audit work this includes annual leave, sickness and time used for administration and training to ensure that staff, are supported in their work, etc.

3.7 The timetable for the above process is detailed below:

<b>TASK</b>	<b>START DATE</b>	<b>FINAL DATE</b>
Opening meetings with management teams and issue of information packs.	23 Nov 2004 to	Mid Dec 2004
Collation of individual risk assessments.	Mid Dec 2004 to	Mid Jan 2005
Return to management teams to clarify.	Mid Jan 2005	End of Jan 2005
Development of Audit Needs Assessment and 3-year strategic audit work plan.	Begin Feb 2005	End Feb 2005
Presentation of Strategic audit work plan to the Audit Committee for approval.	-	March 4 <sup>th</sup>

## **4. REPORTING**

- 4.1 Internal Audit reports their findings to the responsible manager of the audited service, the relevant Head of Service, the relevant Strategic Departmental Director, Section 95 Officer and Chief Executive. Audit Scotland the Councils external auditor also receives audit reports.
- 4.2 Internal Audit currently uses a number of indicators to measure performance and these are included in an annual report to the Audit Committee. It is intended to develop a set of balanced indicators that demonstrate performance in terms of cost, service process, customer / client and continuous improvement.

## **5. QUALITY ASSURANCE**

- 6.1 The internal audit section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. Detailed procedures for the performance of audit work, maintenance of files and working papers and audit management oversight and supervision are contained within the Argyll and Bute Internal Audit Manual.

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