

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

Corporate Services  
Director: Nigel Stewart



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24 February 2006

## NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **FRIDAY, 3 MARCH 2006** at **2:00 PM**, which you are requested to attend.

Nigel Stewart  
Director of Corporate Services

## BUSINESS

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2. **DECLARATIONS OF INTEREST**
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- 13. UNIT LABOUR COSTS**  
Verbal report by Head of Strategic Finance

## **AUDIT COMMITTEE**

Councillor Donald MacMillan  
Councillor Gary Mulvaney (Chair)  
Ian M M Ross  
Christopher Valentine

Councillor John McAlpine  
Councillor Elaine Robertson  
Councillor John Tacchi

Contact: Katie McKenzie

Tel. No. 01546 604511

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 9 DECEMBER 2005**

- Present:** Councillor Gary Mulvaney (Chair)
- Councillor Elaine Robertson                      Councillor John Tacchi  
Ian M M Ross
- Attending:** Charles Reppke, Head of Democratic Services & Governance  
Bruce West, Head of Strategic Finance  
Ian Nisbet, Internal Audit Manager  
Steve Keightley, KPMG  
Jim Cumming, Audit Scotland  
David Jamieson, Audit Scotland  
Angela Cassels, Audit Scotland
- Apologies:** Councillor John McAlpine                      Councillor Donald MacMillan  
Christopher Valentine

**1. MINUTES**

**(a) AUDIT COMMITTEE 2 SEPTEMBER 2005**

The minutes of the Audit Committee of 2 September 2005 were approved as a correct record.

Arising under item 3 (**Strathclyde Pension Fund**) it was agreed to circulate the full text of the Chair and Vice-Chairs comments to Members of the Audit Committee.

**(b) AUDIT COMMITTEE 29 SEPTEMBER 2005**

The minutes of the Audit Committee of 29 September 2005 were approved as a correct record.

**2. AUDIT OF ACCOUNTS 2004/2005: MEMBERS LETTER/AUDIT OF ACCOUNTS AND CERTIFIED ACCOUNTS**

The external auditors, Audit Scotland, had completed their audit of the Council's Accounts for the year to 31 March 2005. The certified Accounts and Report to Members was noted by the Council on 14 November 2005 together with the Audit Certificate which contained no qualifications.

**Decision**

1. Agreed to monitor the external auditors recommendations as contained within the submitted action plan.

2. Noted that a report on the new Risk and Assurance Plan would be submitted to the next meeting of the Audit Committee by Audit Scotland.

(Reference: Report by Head of Strategic Finance dated 3 November 2005, 2004-05 Annual Accounts and Audit Certificate, submitted)

### **3. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2005 - 2006**

The committee were asked to give consideration to an interim progress report which had been prepared regarding the audit work performed by Internal Audit up to 11 November 2005.

#### **Decision**

To note the good progress made with the Annual Audit Plan for 2005-2006.

(Reference: Report by Internal Audit Manager dated 25 November 2005, submitted)

### **4. ADAPTING TO THE FUTURE 2003 - 2004**

A report detailing progress by Community Services Department Management with the implementation of recommendations contained within the national report "Adapting to the future" which had been issued by the Accounts Commission – Audit Scotland was considered.

#### **Decision**

1. To note the contents of the report and request this be followed up by Internal Audit;
2. To note that 9 of the 21 recommendations listed in the Action Plan had been addressed as at 8 November 2005;
3. To note that AGE Ltd had been awarded a consultancy contract to address the 12 remaining recommendations; and
4. To note that progress by AGE Ltd would be monitored by Internal Audit and reported to the March Audit Committee.

(Reference: Report by Internal Audit Manager dated 25 November 2005, submitted)

### **5. MAINTAINING SCOTLAND'S ROADS**

Audit Scotland issued a national report towards the end of November 2004 entitled "Maintaining Scotland's Roads". In response the Head of Roads and Amenity Services prepared an action plan incorporating the report's 9 recommendations and added a further 3 to reflect dependent issues.

#### **Decision**

1. To note the contents of the report and request this be followed up by

Internal Audit;

2. To note that as at 31 October 2005 of the 12 recommendations reported by the Head of Roads and Amenity Services to the SPC in December 2004, only 2 now remain to be implemented;
3. To note the report prepared by the Head of Roads and Amenity Services updating the SPC on progress made; and
4. To note that the Scottish Executive has recognised that roads maintenance is under funded and from the financial year 2006-2007 an additional £60 million would be awarded to Scotland's Councils through additional GAE contribution.

(Reference: Report by Internal Audit Manager dated 31 October 2005 and Report by Director of Operational Services dated 17 November 2005, submitted)

## **6. RECENT EXTERNAL AUDIT REPORTS 2004 - 2005**

A report containing an Executive Summary and Action Plan for new reports issued by Audit Scotland since the last Audit Committee together with details of the progress made by management on implementing the report recommendations was considered.

### **Decision**

1. To note the contents of the report and request that this be followed up by Internal Audit;
2. To note that the Action Plan accompanying the report issued by Audit Scotland in August 2005 entitled "Business Continuity Planning Review" contained 3 recommendations and that progress was continuing;
3. To note that the Action Plan accompanying the report issued by Audit Scotland in November 2005 entitled "Financial Strategy" detailed 8 recommendations, 5 of which had implementation dates of between January 2006 and March 2007 with the further 3 recommendations to be in place for the 2007 – 2008 budget cycle; and
4. To note that the Action Plan accompanying the report issued by Audit Scotland at the end of November 2005 entitled "Following the Public Pound" listed 18 recommendations with 2 considered high and 16 of medium priority.

(Reference: Report by Internal Audit Manager dated 1 December 2005, submitted)

## **7. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2004 - 2005**

A report setting out the results from a review performed by Internal Audit for recommendations due to be implemented by 31 October 2005 was considered.

**Decision**

1. To note the contents of the report and request that this be followed up by Internal Audit.
2. To note that the report on the scrutiny review of Legal Services would be submitted to the Strategic Policy Committee in January 2006.
3. To request that if compliance has not been achieved by January 2006 in regard to item D(2) that the appropriate Heads of Services be requested to attend the Committee in March 2006 to explain the circumstances around the non compliance.

(Reference: Report by Internal Audit Manager dated 25 November 2005, submitted)

**8. REVIEW AND CONSOLIDATION OF OUTSTANDING AUDIT RECOMMENDATIONS RELATED TO BUDGETARY CONTROL**

At the previous Audit Committee it was agreed that a separate note be prepared consolidating the various outstanding recommendations on budgetary control and setting a new base line for future reporting, be brought to the Audit Committee for consideration.

**Decision**

To note the revised action plan relative to the outstanding audit recommendations related to budgetary control.

(Reference: Report by Head of Strategic Finance dated 30 November 2005, submitted)

**9. ASSET MANAGEMENT STRATEGY**

The Audit Committee on the 2 September 2005 requested an update on progress with the asset register and implementation of asset management strategy/planning. A report identifying the main elements of asset management planning and progress to date was considered.

**Decision**

To note the contents of the report, and the good progress made.

(Reference: Report by Chief Asset Manager dated 9 November 2005, submitted)

**10. HMIE ACTION PLAN**

A copy of the HMIE report was provided to the Audit Committee on 2 September 2005. In response to the HMIE requirement, the Education Services management at the beginning of September 2005 agreed an Action Plan to address areas requiring improvements. This Action Plan was presented and approved by the Strategic Policy Committee on 8 September 2005.

**Decision**

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

(Reference: Report by Internal Audit Manager, dated 25 November 2005, submitted)

**11. STRATHCLYDE PENSION FUND**

In June 2005 Glasgow City Council published a consultation paper suggesting a scheme for a representative forum for Strathclyde Pension Fund member organisations and stakeholders. The Council responded to this paper in August 2005 and the Audit Committee considered this response at its meeting on 2 September. A report outlining the results of the Glasgow City Council consultation and the form the representation forum will now take was considered.

**Decision**

1. To note the content of the report, and request a further report on whether the proposal for executive control of the fund meets the legislative requirements governing such funds.
2. To note that the Council, at its meeting on 14 November 2005, appointed Councillor Gary Mulvaney to be the Council's representative on the forum and that Councillor Elaine Robertson would act as an alternative if Councillor Mulvaney was unavailable.
3. To request that the Head of Democratic Services & Governance write to Glasgow City Council requesting the dates of the Forum's meetings for 2006 and this be circulated to the Council's representatives.

(Reference: Report by Head of Strategic Finance dated 9 December 2005, submitted)





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

**AUDIT COMMITTEE**  
**3 MARCH 2006**

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**PROGRESS REPORT ON INTERNAL AUDIT PLAN 2005 - 2006**

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**1. SUMMARY**

An interim progress report has been prepared covering the audit work performed by Internal Audit up to the 24<sup>th</sup> of February 2006. 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 2005 - 2006.

**3. BACKGROUND**

3.1 The progress report contained in Appendix 1, lists the audits scheduled for the financial year 2005 –2006 and are ordered by section and level of completion.

3.2 As at the 24<sup>th</sup> of February 2006, of 18 core financial audits set out in the audit plan, 17 have been completed with reports issued. The remaining audit is progressing.

3.3 A total of 13 non-financial audit areas were identified for this years audit plan. As at the 24<sup>th</sup> of February 2006, 7 audits have been completed with reports issued. The remaining 6 audits have been started and are progressing.

3.4 Within the Annual Audit Plan a total of 80 days have been set aside for Other Areas – Follow Up Work. As at the 24<sup>th</sup> of February 2006, a total of 88 days have been expended. A total of 80 days have been set aside in the audit plan for Special Investigations / Contingency audit work. As at the 24<sup>th</sup> of February 2006, a total of 44 days have been expended on Special Investigation work.

**4. SUMMARY OF AUDIT ACTIVITIES FOR 2005 – 2006**

4.1 Steady progress continues with the annual audit plan with the timely completion of audits. There are still audits to be started and completed but it is anticipated that Internal Audit will be able to complete this year's audit plan.

4.2 As previously reported to the Audit Committee, Internal Audit was invited as Silver Award winners to attend the Council's Excellence Awards inaugural evening in Oban on the 12<sup>th</sup> of December 2005. The evening was well managed and Internal Audit was awarded Gold for the category, "Securing A Workforce for the Future". The team were very pleased to accept the award.

**5. CONCLUSION**

Progress is being made on audits planned for 2005 – 2006.

**6. IMPLICATIONS**

- |     |                      |   |
|-----|----------------------|---|
| 6.1 | Policy:              | Update on audit plan for 2005 – 06.                     |
| 6.2 | Financial:           | The audit plan is based on existing budgeted provision. |
| 6.3 | Personnel:           | None  |
| 6.4 | Legal:               | None  |
| 6.5 | Equal Opportunities: | None  |

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

Ian Nisbet  
Internal Audit Manager, 24<sup>th</sup> February 2006.  
24Febprogreport24Feb

## APPENDIX 1

## Assessment of audit days: 2005-2006 strategic plan

AUDIT WORK SCHEDULE AT 24th FEBRUARY 2005					
	Year Last Audited	Risk Ranking	Estimated Audit Days 2005-2006	Expended Audit Days 2005 - 2006	Balance
<b>CORE FINANCIAL SYSTEMS</b>					
<b>COMPLETE</b>					
Stock taking	2005	2	25	20	5
Government & European Grants	2003	1	30	26	4
Purchasing	2004	2	25	29	-4
Cash & Income Banking	2004	2	30	31	-1
Budgetary preparation & control (KPMG)	2005	1	20	20	0
Capital Accounting	2005	1	20	22	-2
Capital Contracts	2005	1	20	21	-1
Contract Hire & Operating Leases	2003	2	20	23	-3
Creditor Payments	2004	2	25	28	-3
Debtor Accounts	2004	2	20	23	-3
Tendering Procedures	2004	1	30	30	0
Unified Benefits System	2004	2	30	24	6
Council Tax & NDR	2003	2	30	27	3
Housing Rents	2005	2	20	18	2
Treasury management	2005	2	20	16	4
Payroll	2004	2	30	21	9
General Ledger Operations	2005	2	25	23	2
<b>STARTED</b>					
Following Public Pound Voluntary Organisations	2005	2	20	8	12
<b>SECTION TOTAL</b>			<b>440</b>	<b>410</b>	<b>30</b>
<b>NON- FINANCIAL AUDITS</b>					
<b>COMPLETE</b>					
Council Wide Corporate Governance	2004	1	30	26	4
Council Wide Pls	2004	1	60	56	4
Strategic Asset Management	2004	1	30	21	9
Property Asset Management	NEW	1	30	22	8
Community Services - Care Services	NEW	2	30	32	-2
Business Continuity Planning	NEW	1	30	24	6
Community Services Transportation	NEW	1	30	26	4
<b>STARTED</b>					
Corporate Services - ICT - Security (KPMG/IA)	NEW	2	25	7	19
Chief Executives Unit - Best Value	2004	1	30	4	26
Community Services - NPDO Contract Monitoring (KPMG/IA)	2003	1	30	2	28
Partnership Working	2004	1	30	3	27
Recruitment & Retention of Staff	NEW	2	25	5	20
New Legislation	NEW	1	30	2	28
<b>Section Total</b>			<b>410</b>	<b>230</b>	<b>180</b>
<b>TOTAL DIRECT AUDIT DAYS</b>			<b>850</b>	<b>640</b>	<b>210</b>
<b>SPECIAL INVESTIGATIONS CONTINGENCY</b>					
Community Services	-	-	80		36
Operational Services				43	
				1	
<b>Section Total</b>			<b>80</b>	<b>44</b>	<b>36</b>
<b>OTHER AREAS</b>					
Risk assessment, strategic plan, annual plans	-	-	20	21	-1
Follow-up External & Internal Audit Recommendations			60	68	-8
<b>Section Total</b>			<b>80</b>	<b>88</b>	<b>-8</b>
<b>TOTAL</b>			<b>1010</b>	<b>772</b>	<b>238</b>

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

**AUDIT COMMITTEE**  
**3 MARCH 2006**

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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". As there were no implementation dates assigned to the report recommendations, Internal Audit in conjunction with Community Services management prepared an Action Plan with agreed implementation dates.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 As previously reported to the Audit Committee, the Action Plan compiled for this report lists 21 recommendations of which 9 have been addressed by management. The remaining 12 recommendations are presently being addressed through a feasibility study by an appointed consultant AGE Ltd. (See Appendix 1).

3.2 As at the 6<sup>th</sup> of February 2006, AGE Ltd has reported to Internal Audit that the feasibility project is now well underway. However, accessing data/information to inform the process has proved difficult and challenging. Age Ltd wanted it known that the staff within the Council have been very supportive of the project and were meeting the demands placed upon them for the production of data. With regard to the specific progress of the 12 recommendations an update is provided in Appendix 1. In addition AGE Ltd has provided further comment on recommendations currently being addressed by management.

3.3 It was reported to the last Audit Committee that AGE Ltd would issue a final report in January 2006. This now looks unlikely due to the problems outlined above. AGE Ltd has set deadlines for the provision of critical information so that a project briefing on findings and options can take place for lead officers in February 2006. It is anticipated that the final report will be available in March 2006.

**4. CONCLUSIONS**

Progress by AGE Ltd in addressing the feasibility study recommendations will be monitored by Internal Audit and reported to the Audit Committee.

**5. IMPLICATIONS**

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

5.5 Equal Opportunities: None

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

Ian Nisbet  
Internal Audit Manager 6 February 2006  
6Febfinalreport6Feb

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

No	Recommendation	Responsible Officer	Community Services Management Response	AGE Ltd progress as at 6th of February 2006.
	<b>Person-centred services Councils and NHS bodies should</b>			
3	There should be a review regarding the level of demand for out-of-hours services.	Jim Robb Head of Integrated Development.	Overall service requires to be reviewed. Feasibility study proposed and being presented at next Joint Strategy meeting. Out of hours services would be examined within the study.	All data being captured and/or extrapolated to cover areas where no data exists.  Indications are that no data is in existence covering Out of Hours service.
	<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.	Re-implementation of Carefirst should provide more robust information. IT provision will be examined within a feasibility study as to best joint systems.	Meetings have taken place with lead officers on IT systems.  Initial findings are: Different IT systems in operation and under development.  A solution whereby clinical and logistical/Performance Indicator reporting systems can talk to each other will be recommended in the final report.
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.	Feasibility study will identify required policies and procedures.	Widespread consultation still taking place. Likely that a key recommendation will be that ALL clinical groups to be part of new integrated service [service lead officers have agreed in principle] – this supported with a developing and broadening of a “who can prescribe what” template (for use across the whole area) – supported with on going area-wide training. Templates to be provided within final report.
6	Ensure all relevant staff across the respective partner organisations is aware of the agreed policies and procedures.	Jim Robb Head of Integrated Development.	Training for staff would be carried out when policies and procedures are in place.	Linked to comment on point 5 above – but further supported with the provision of a common to all Service Specification – against which a Catalogue of Goods and Services will be available to all practitioner groups.

## APPENDIX 1

No	Recommendation	Responsible Officer	Community Services Management Response	AGE Ltd progress as at 6th of February 2006.
7	Ensure that community equipment and adaptation services are developed as part of their overall community care strategy.	Jim Robb Head of Integrated Development.	Community care strategies will be reviewed to ensure community equipment and adaptations services are included as part of the feasibility study.	On going – Data/information still being compiled.  Common to area [possibly including neighbouring areas] equipment and minor adaptations service standard/specification being developed.  Multi area/agency/service configuration(s) being considered.  Executive over-view presentation arranged in February covering issues to be included in final report.
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.	Protocols would be developed following the feasibility study.	Covered in comment against point 6 and 7 above  Additional templates to be provided as part of output work.
	<b>How are services organised Councils and NHS bodies should</b>			
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.	Robust systems for collecting information will be identified from recommendations of feasibility study.	Data still being gathered. Additionally, service will be compared against other similar profiled services.
12	Develop joint performance indicators so that the service can be evaluated across a partnership area.	Jim Robb Head of Integrated Development.	Following feasibility study- joint performance indicators will be developed.	Key Performance Indicators will be proposed as part of the final report.  The Scottish Health Executive is likely to be proposing indicators for equipment and adaptations in February 2006.



## APPENDIX 1

No	Recommendation	Responsible Officer	Community Services Management Response	AGE Ltd progress as at 6th of February 2006.
	<b>Managing Risk 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.	Robust systems for managing equipment will be identified by feasibility study.	This will be accounted for within ultimate service configuration including defined areas of responsibility – this where possible is to be supported through IT systems.  Issues such as protection from cross infection also being accounted for.
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.	Robust systems for managing equipment will be identified by feasibility study.	All these topics, and more, will be accounted for within the final proposed service(s) configuration(s). This will take account of available resource [within A&B and on its peripheries], economies of scale and cost effective and most efficient service and/or service function solutions.
20	Ensure management information systems contribute to the effective management of risk.	Jim Robb Head of Integrated Development.	Robust systems for managing equipment will be identified by feasibility study.	Templates to be provided as part of the final report – these to support the Key Performance Indicator information referred to in comment against point 12 above.
21	Review user needs once equipment and adaptations have been supplied.	Jim Robb Head of Integrated Development.	Methods of monitoring and evaluation of service require to be identified following feasibility study.	To be part of service configuration(s) proposal(s) – likely to be two pronged support: from service(s) provider(s) assisting therapists and clinicians as applicable/specified – no doubt assisted through IT. And from Therapists and Clinicians themselves. This to be on going, even after conclusion of the feasibility study.
	<b>AGE Ltd comment on management addressed recommendations</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.	Current Budgets are regularly reviewed through Joint Strategy group but more work is required to establish realistic budgets.	Data still being compiled. However, initial findings suggest that budgets are significantly below the levels required to meet demand – this being confirmed by historic and comparative data sources.

**APPENDIX 1**

<b>No</b>	<b>Recommendation</b>	<b>Responsible Officer</b>	<b>Community Services Management Response</b>	<b>AGE Ltd progress as at 6th of February 2006.</b>
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.	A charge monitoring system will be set up to address this recommendation.	This is a multi organisation recommendation. Care & Repair have started to monitor activity and expenditure. AGE Ltd is evaluating what has been prepared and will advise on co-operation with the other parties within their final report.
15	Work together to assess need for major adaptations in the future.	Jim Robb Head of Integrated Development.	Develop close working links with Housing, RSLs, and Care & Repair to monitor trends to assist in assessing for future adaptations.	As response above at point 11. Care & Repair have started to monitor trends.  Based on information received thus far – it is unlikely that major adaptations service provision will be recommended as being within the remit of the equipment and minor adaptations provider(s) – however administration of same might be – still being considered.
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.	This exercise has been commenced at the Oban Store and will eventually be rolled out to other areas	Covered in comment against point 16 above.

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

**AUDIT COMMITTEE**  
**3 MARCH 2006**

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**MAINTAINING SCOTLAND'S ROADS**

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**1. SUMMARY**

Audit Scotland issued a national report towards the end of November 2004 entitled, "Maintaining Scotland's Roads". The national report did not have any implementation dates assigned to its 9 recommendations. The Head of Roads & Amenity Services prepared an action plan incorporating the report's recommendations and added a further 3 to reflect dependent issues. The Head of Service commenced reporting to the Audit Committee and Strategic Policy Committee (SPC) in December 2004. Set out below is the current implementation position in respect of the Action Plans for 2005/06 & 2006/07.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 As at the 14<sup>th</sup> of February 2006, there are 2 recommendations remaining to be implemented from the 2005- 2006 Action Plan. See Appendix 1. Management have reported that they will not complete these tasks until June and September 2006. They cite staff resource issues as the reason for both being delayed.

3.2 Regarding the 2006 – 2007 Action Plan set out in Appendix 2, as at the 14<sup>th</sup> of February 2006, management have reported 10 of the 12 recommendations as progressing to plan. Of the remaining 2 recommendations management have quoted resource and IT issues as the main factors delaying implementation. Management have provided new implementation dates for both.

**4. CONCLUSIONS**

Progress with the implementation of recommendations will continue to be reported 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 14<sup>th</sup> February 2006. 14febfinalreport14feb

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## Maintaining Scotland's Roads 2005 – 2006

## Action Plan

## APPENDIX 1

No.	Recommendations	Current Position	Proposed Action	Timescale	Progress update as at 14 <sup>th</sup> February 2006
6	Conduct an option appraisal for procuring and financing road maintenance services.	No action.	Undertake recommendation.	March 2006	Not yet started. New proposed implementation date June 2006.
3	Establish a long-term strategy for road maintenance in the overall context of transportation and roads asset management strategies.	No action to date.	Implement action in association with Asset Management Unit.	December 2005	Delayed start due to lack of resources. New proposed implementation date September 2006.

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## Maintaining Scotland's Roads 2006 – 2007 Action Plan

No.	Recommendations	Current Position	Proposed Action	Timescale	Progress as at 14 <sup>th</sup> February 2006
1	Report on the condition of roads and maintenance backlog.	Awaiting 2004/05 information	Continue to report on annual basis.	Reported to SPC May 2005 next report May 2006	On going
2	Determine the size of the structural maintenance backlog.	An accurate assessment is not yet available.	Determine the cost, in accordance with Scottish Executive approved techniques.	March 2006	Latest information has been established on maintenance backlog and progress continues toward implementation.
3	Establish a long-term strategy for road maintenance in the overall context of transportation and roads asset management strategies.	No action to date.	Implement action in association with Asset Management Unit.	December 2005	Not yet started.
4	Meet the recommendations stated in "Delivering Best Value in Highway Maintenance – Code of Practice for Maintenance Management".	Road Maintenance Plan introduced by Council in May 2004.	Continue to monitor.	-	On going.
5	Review budget setting procedures ensuring appropriate priority to structural maintenance to achieve long-term value for money.	Capital programme allows an element of structural maintenance.	Review Audit Scotland's recommendation.	Complete Review March 2006	Review will take place in March 2006.
6	Conduct an option appraisal for procuring and financing road maintenance services.	No action.	Undertake recommendation.	March 2007	Not yet started.
7	Improve inventory information on the roads assets.	Work ongoing.	Complete inventory.	March 2006	Has been progressed but will not be completed by March. New proposed implementation date September 2006.
8	Use asset management system linked to GIS and financial system.	No action.	Introduce a Roads Maintenance	Initial introduction complete full	The introduction of a Roads

## APPENDIX 2

			Management System.	implementation 1 <sup>st</sup> April 2006	Maintenance Management System has been delayed due to IT problems but these should be rectified shortly with the purchase of new hardware. New proposed implementation date September 2006.
9	Consider joint working with other Councils	No significant opportunities found.	Review this recommendation.	To be reviewed March 2006	Review will take place in March 2006.
10	Review unit costs of various service elements.	Complete for 2005/06	Review recommendation.	March 2006	As above.
11	Develop a framework of performance indicators and outcome targets against which to measure the performance of the road maintenance system.	There are several performance indicators in the Roads Maintenance Strategy.	Review Performance Indicators in light of Audit Scotland's Report.	March 2006	As above.
12	Complete the Best Value Road Maintenance Service Checklist.	Complete	Review recommendation.	March 2006	As above.



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**ANNUAL AUDIT PLAN 2006 - 2007**

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**1. SUMMARY**

This annual audit plan has been prepared in conjunction with our Internal Audit partners KPMG. The audit plan for 2006 - 2007 is year 2 of the 3 year Strategic Audit Plan approved by the Audit Committee on the 4<sup>th</sup> of March 2005 and ensures that Internal Audit resources are effectively planned and controlled. The plan outlines in detail the areas that will be audited in 2006 – 2007. This complies with the Audit Scotland request to provide additional information to auditees.

**2. RECOMMENDATIONS**

2.1 The Annual Audit Plan for 2006 - 2007 is approved.

**3. DETAILS**

3.1 Attached is the proposed Annual Internal Audit Plan for 2006 - 2007, which has been presented to the Strategic Management Team (SMT). It provides detail as to the proposed time and audits for the coming financial year. The areas were agreed as part of the overall 3-year audit plan for the years 2005 – 2008.

3.2 This annual plan increases the awareness amongst departments of the audit objectives for 2006 – 2007, and it is hoped will aid departments with planning and preparation.

3.3 The annual audit plan has 2 audit categories. They are core and non financial audits. A table for both categories has been prepared listing each audit the date last audited and the number of assigned audit days for 2006 - 2007. Within the non financial audit section, account has been taken of the recent Best Value review of the Council by Audit Scotland. A number of days have therefore been identified that would allow Internal Audit to assist with addressing the reports issues.

3.4 The annual plan includes a chart showing the audits, their categories, and when in 2006 – 2007 they are likely to take place. The likely timing and objectives of the audits were discussed with Heads of Service and line managers. However, it should be noted that the audits could be subject to change in content and timing. A section has been included within the annual audit plan which lays out the broad scope and objectives for each of the audit sections.

**4. CONCLUSIONS**

The Audit Plan addresses the key areas highlighted in our Audit Needs Assessment process and will assist the preparation of an annual assurance statement on the Council's overall Internal Financial Control Framework.

**5. IMPLICATIONS**

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

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

Ian Nisbet  
Internal Audit Manager 14 February 2006.  
14Febreport14Feb



Argyll and Bute Council

Annual Audit Plan 2006 - 2007

14<sup>th</sup> February 2006

Draft for Audit Committee Approval



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## **APPENDIX 1**

Scope & Objectives for areas outlined in the Audit Annual Plan 2006 – 2007

    Core Financial Audits

    Non Financial Audits

    Contingency Days



## 1. Foreword

This annual audit plan has been prepared in conjunction with our Internal Audit partners KPMG. The audit plan for 2006 - 2007 is year 2 of the 3 year strategic audit plan approved by the Audit Committee on the 4<sup>th</sup> of March 2005 and ensures that Internal Audit resources are effectively planned and controlled. It should be seen as a flexible management tool, which provides the following:

- A clear view of the workload of the internal audit team;
- A base for assessment of the adequacy and future deployment of internal audit resources;
- A yardstick against which progress and performance can be measured;
- Authority to act once it is approved by the Audit Committee; and
- A permanent record of the factors considered and judgements made.

The 2006 – 2007 audit plan has been compiled in accordance with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* ('the Code'). This requires the Internal Audit section to provide an objective assessment of the adequacy, reliability and effectiveness of the Council's internal control system. This strategic audit plan also takes into account the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee.

The annual audit plan has 2 categories, core and non financial audits. Within the non financial audit section, account has been taken of the recent Best Value review of the Council by Audit Scotland. Within the attached document is a chart showing when in 2006 – 2007 audits are planned to take place. The timing of audits was discussed with Heads of Service and line managers. However, the audits could be subject to change and timing should only be viewed as an indicator.

## 2. Internal Audit Resource Days 2006 – 2007

There are 3 elements to the tables:

- Total working days available;
- Non-direct audit days; and
- Direct audit days.

After deductions for annual leave and an allowance for sickness a total of 1,318 working days are available for direct and non-direct audit work. This includes the contribution of audit days from our internal audit partners KPMG.

The non-direct audit day allocation covers tasks such as internal audit management, preparing committee papers, training to ensure that staff are supported in their work and general administration issues. The total day's allocated to non-direct audit for 2006 - 2007 is 238.

Direct audit days are days allocated to both core and non-financial audits. The audit days assigned includes time for Planning, Field Work, Report Writing and Management Review. In addition a number of days have been included for Contingency. The total number of days allocated to direct audits for 2006 - 2007 is 1,080, which represents 82% of total working days available.

**Internal Audit Resource Days: 2006 - 2007**

	Audit Manager	Audit Manager	Accountant	Accountant	Senior Audit Assistant	Audit Assistant	Partner	Contract Auditor	Total
<b>Number of Days in full year</b>	260	260	260	171	260	260	53	0	<b>1,524</b>
Less: Public Holidays	12	12	12	0	12	12	-	-	60
Annual Leave	25	28	20	0	28	20	-	-	121
Sickness Allowance	5	5	5	0	5	5	-	-	25
<b>Working Days Available</b>	<b>218</b>	<b>215</b>	<b>223</b>	<b>171</b>	<b>215</b>	<b>223</b>	<b>53</b>	<b>0</b>	<b>1,318</b>
Non-Direct Audit Work									
IA Management	27	15	5	5	-	-	28	-	80
Planning and Reporting	20	10	-	-	-	-	-	-	30
Training, Development & Seminars	10	10	10	10	10	10	-	-	60
Audit Internal Meetings	10	10	6	6	6	6	-	-	44
Advisory	10	10	2	2	-	-	-	-	24
<b>Total for Non-Direct Audit Support Work</b>	<b>77</b>	<b>55</b>	<b>23</b>	<b>23</b>	<b>16</b>	<b>16</b>	<b>28</b>	<b>-</b>	<b>238</b>
<b>Time Available for Direct Audit Work</b>	<b>141</b>	<b>160</b>	<b>200</b>	<b>148</b>	<b>199</b>	<b>207</b>	<b>25</b>	<b>0</b>	<b>1,080</b>



### 3. Assessments of Audit Days 2006-07

#### Assessment of Core Audit Days: 2006 – 2007

The core financial audits set out below are those detailed for year 2 of the 3 year strategic audit plan, and were selected using an Audit Needs Assessment methodology of risk ranking. These audits will enable Internal Audit over the next financial year to provide an assurance statement on the Council's overall internal control framework.

<i>Core financial systems</i>	<b>Risk Ranking</b>	<b>Last Audited</b>	<b>2006-07</b>
Budgetary control	1	2005-06	20
Capital accounting	1	2005-06	20
Capital contracts	1	2005-06	20
Cash income and banking	2	2005-06	30
Car Allowances	2	2004-05	20
Contract hire and operating leases	2	2005-06	20
Creditor payments	2	2005-06	25
Debtor accounts	2	2005-06	20
General ledger operations	2	2005-06	25
Government & European Grants	1	2005-06	30
Treasury management	2	2005-06	20
Tendering procedures	1	2005-06	30
Payments to voluntary bodies (following the public pound)	2	2005-06	20
Council tax and non-domestic rates	2	2005-06	30
Purchasing	2	2005-06	25
Unified benefits system	2	2005-06	30
Payroll	2	2005-06	30
Stock taking	2	2005-06	25
<b><i>Subtotal core financial systems</i></b>	-	-	<b>440</b>

## Assessment of Non Financial Audit Days: 2006-2007

The non financial audits set out below are those detailed for year 2 of the 3 year strategic audit plan and were derived from a Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks to be included in year 2 of the plan. In addition, the Council has recently been the subject of a Best Value review by Audit Scotland. An action plan has been agreed by the Council to address the points raised in the Audit Scotland report. Internal Audit will be required to provide an independent challenge and review facility. This will aid the process of improvement and change. To reflect this requirement a review has been undertaken to identify the required number of audit days to meet our agreed audit programme. This has provided a number of days that can be assigned to address Best Value report issues.

<i>Non-financial audits</i>	<b>Risk Ranking</b>	<b>Last Audited</b>	<b>3 Year Planned Audit Days 2006-07</b>	<b>2006-07 Required Audit Days</b>	<b>Balance transfer for Best Value Review</b>
<b>Chief Executives</b>					
Policy & Strategy – Best Value	1	2005-06	30	0	30
<b>Community Services</b>					
Care Services	2	2005-06	30	20	10
NPDO – Contract Monitoring	1	2005-06	30	20	10
HMIe	-	2004-05	20	20	0
Transportation	1	2005-06	30	20	10
<b>Development Services</b>					
Partnership Project Funding	3	-	30	20	10
<b>Corporate Services</b>					
Risk Management	3	2004-05	25	20	5
ICT – Applications	2	-	25	25	0
<b>Operational Services</b>					
Roads & Amenity Services	3	2002-03	30	20	10
<b>All Departments</b>					
- Partnership Working	1	2005-06	30	20	10
- Strategic & Asset Management	1	2005-06	30	15	15
- Property Asset Management	1	2005-06	30	15	15
- Business Continuity Planning	1	2005-06	30	20	10
- New Legislation	1	2005-06	30	20	10
- Corporate Governance	1	2005-06	30	30	0
- Performance Indicators	1	2005-06	50	50	0
<b>Sub totals non-financial</b>	-	-	480	335	145

### Assessment of Contingency Audit Days: 2006-2007

Audit days have been included within the annual audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control.

Clearly, the extent to which any contingency requirement will arise depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity.

<b><i>Contingency days</i></b>	<b>2006-07</b>
Special investigations contingency	80
Follow-up external & internal audit management letter points	60
Risk assessment, strategic plan, annual plans	20
<b>Sub Total</b>	<b>160</b>

4. ANNUAL AUDIT PLAN 2006 – 2007

Core Financial Systems	Risk Ranking Audited	Last Audited	Audit Days 2006-07														
			April	May	June	July	August	September	October	November	December	January	February	March			
Budgetary Control	1	2005															
Capital Accounting	1	2005															
Capital Contracts	1	2005															
Cash Income and Banking	2	2004															
Car Allowances	2	2004															
Contract Hire and Operating Leases	2	2003															
Creditor Payments	2	2004															
Debtor Accounts	2	2004															
General Ledger Operations	2	2005															
Government & European Grants	1	2003															
Treasury Management	2	2005															
Tendering Procedures	1	2004															
Payments to Voluntary Bodies (Public Pound)	2	2005															
Council Tax & Non-Domestic Rates	2	n/a															
Purchasing e-Procurement	2	n/a															
Unified Benefits System	2	n/a															
Payroll	2	n/a															
Stocktaking	2	2005															
<b>Subtotal Core Financial Systems</b>																	
<b>Non-Financial Audits</b>																	
Chief Executives Unit – Best Value (days to be allocated)	1	2004															
Community Services – Care Services	2	-															
Community Services – NPDO Contract Monitoring	1	2003															
Community Services – HMle	4	2004															
Community Services – Transportation	1	-															
Development Services – Partnership Project Funding	3	-															
Corporate Services – Risk Management Register	3	2004															
Corporate Services – ICT - Applications	2	n/a															
Operational Services – Amenity & Roads Services	3	2002															
All Depts – Partnership Working	1	2004															
All Depts – Strategic Asset Management	1	2004															
All Depts – Property Asset Management	1	-															
All Depts – New Legislation	1	-															
Corporate Governance	1	2004															
Performance Indicators	1	2004															
<b>Sub Total Non-Financial</b>																	
<b>Contingency Days</b>																	
Special investigations, Follow-up, Risk Assessment & Audit Planning	n/a	n/a															
<b>Sub Total Contingency Days</b>																	
<b>Total</b>																	

## **APPENDIX 1**

### **Scope and Objectives 2006 – 2007**

#### **2006 - 2007 Planned Objectives**

The following sections outline the broad scope and objectives for the reviews identified for 2006 - 2007.

## **1. Core Financial Systems**

### **1.1 Budgetary Control**

The specific objectives of this review will assess whether:

- The responsibilities of Officers and Members for the setting and control of budgets are properly defined;
- Budgets are set in accordance with pre-determined approved policy objectives;
- Revenue expenditure and income is properly controlled by the effective periodic monitoring of financial out-turns against detailed budgets;
- Virements are managed and controlled effectively;
- Significant variances are promptly identified, reported and acted upon; and
- The system contributes to the Council's ability to demonstrate that resources are being used in an economical, effective and efficient way.

### **1.2 Capital Accounting**

The specific objectives of this review will assess whether:

- Fixed assets are identified and classified in accordance with the Accounting Code of Practice (ACOP) and compliant with the Prudential Code;
- Movements in the Fixed Asset Register are being identified;
- There is supporting documentation for option appraisal;
- Appropriate Prudential Code indicators have been calculated and approved and regularly reviewed;
- There is written documentation, policies procedures for application of capital charges;
- Fixed assets and capital charges are correctly recorded in the financial ledger; and compliant with the Prudential Code; and
- The system contributes to the economic, effective and efficient management of the Council's assets.

### 1.3 Capital Contracts

The specific objectives of this audit will assess whether:

- For major capital projects over £1m a proper business case and project appraisal procedure enables effective selection of appropriate projects. The projects chosen for audit will follow discussions with management and could be either building, roads or engineering contracts;
- The design satisfies the original project criteria;
- The tendering process has resulted in the contract being placed with the most suitable contractor at the most advantageous price and is compliant with the Prudential Code with regard to affordability and financing;
- Work is properly project managed, supervised and executed to contract specifications;
- The system ensures the preparation of accurate interim valuations, final accounts and meets the Prudential Code sustainability criteria; and
- All relevant information on the project is collected, evaluated and used to improve future performance.

### 1.4 Cash Income and Banking

The specific objectives of this audit will assess whether all Schools General Purpose Funds comply with Circular 1.10:

- The exercise commenced in 2005/06 will be completed with an assessment of compliance of Primary Schools with Circular 1.10;
- The recommendations made in the 2005/06 reports will be followed-up.

### 1.5 Car Allowances

The broad objectives of this audit are to ensure:

- The classification of different types of car users was appropriate;
- The usage of pool cars was maximised;
- The record keeping for pool cars was suitable for monitoring their usage.

### 1.6 Contract Hire and Operating Leases

The specific objectives of this review will assess whether:

- Proper control procedures are being operated;
- New lease agreements are compliant with the Prudential Code ;
- Advice is sought from the Council's lease advisers before any new agreements are entered into;
- All payments/receipts are made on the due dates; and
- Any extensions to lease agreements are properly negotiated;

## 1.7 Creditor Payments

The specific objectives of this review will assess whether petty cash controls are adequate:

- Payments are made in accordance with Financial Regulations only for goods and services which are for valid Council services;
- All payments are properly backed-up by receipts or vouchers;
- Payments are made only to valid creditors; and
- Payments are correctly recorded in the financial ledger.

## 1.8 Debtor Accounts

The specific objectives of this review will assess for selected services as to whether:

- Accounts are properly raised and posted for all chargeable services;
- Accounts are issued promptly; and
- Income is collected timeously.

## 1.9 General Ledger Operations

The specific objectives of this review will assess whether:

- Data from feeder systems is correctly and timeously transferred to the financial ledger;
- Output is produced in accordance with a prescribed timetable and in a format which contributes to the financial management of the body

## 1.10 Government & European Grants

Various grants are received by the Council from the European Union for a number of projects under various programmes e.g. European Regional Development Fund (ERDF) and European Social Fund (ESF). The specific objectives of this review will assess whether:

- All applications are made in accordance with grant requirements;
- Grants are only applied to the purposes provided;
- Amounts receivable / received are complete;
- Adequate monitoring and reporting mechanisms are in place for management information.
- Departments maintain proper records which satisfy auditors.

## 1.11 Treasury Management

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

- Borrowing and lending transactions are in accordance with statutory powers, approved policy and strategy;
- Appropriate Prudential Code indicators have been calculated and approved and regularly reviewed;
- The following meet the requirements of the CIPFA Code of Treasury Management in Local Authorities;
  1. Annual borrowing requirements and daily balances are properly estimated;
  2. Borrowing and lending transactions are properly controlled;
  3. Loan repayments and interest are paid on the due dates and in respect of valid loans;
  4. Deposits and interest are recalled/repaid on the due dates; and
  5. Borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records (e.g. registers).

## 1.12 Tendering

The specific objectives of this review will assess whether:

- The new Council Standing Orders reflect the required changes for effective control;
- Procedures for adding to and removing contractors from the Council's standing lists are properly controlled and make effective use of Constructionline services;
- Procedures for selecting tenderers are in accordance with the Council's Financial Regulations;
- Valid submitted tenders are recorded and held securely prior to formal opening;
- Tender opening procedures are properly controlled;
- Tenders comply with European Journal regulations where necessary;
- Only authorised alterations are made to tenders after opening process; and
- Procedures for evaluating tenders and selecting successful tenders are properly controlled.



### **1.13 Payments to Voluntary Bodies –The Public Pound**

The specific objectives of this review will assess whether:

- Grants are classified according to materiality and any monitoring arrangements determined and carried out according to the Council's assessment of risk;
- All grant payments are identified in a register of funding;
- There is a record of the names of members or officers who sit on the boards and committees of external bodies;
- Applications are made in accordance with grant requirements;
- Funding to external organisations is specific and clearly stated;
- Amounts receivable/received are complete, planned and controlled; and
- A monitoring procedure is in place to ensure that available performance measures are collected and reported.

### **1.12 Stock Taking**

The specific objectives of this review will assess whether:

- System for controlling stock is in accordance with Financial Regulations
- Systems are in place for maintaining accurate stock records;
- Stock is held in a secure environment;
- Adequate procedures are in place for management to count stock at year-end.

### **1.15 Council Tax & Non Domestic Rates**

The specific objectives of this review will assess whether:

- Bills are correctly calculated (including discounts, reliefs etc) for all relevant properties;
- An appropriate level of control is maintained during processing to ensure completeness and accuracy of data and back up systems are in place;
- Controls ensure the authorisation, accuracy, completeness, confidentiality and timeliness of output reports and interfaces;
- A complete audit trail is maintained which allows an item to be traced from input through to its final destination; and
- Arrears follow up procedures are properly controlled and write offs, cancellations and refunds are properly controlled;
- Payments received are promptly processed and correctly posted to taxpayers' accounts;

### **1.16 Purchasing & e-Procurement**

The specific objectives of this review will assess whether:

- Only goods and services which are required for the audited body's business are ordered;
- Orders are placed only after costs have been ascertained;

- Orders are placed only with authorised suppliers;
- Invoices are passed for payment to the correct supplier and only for goods/services received;
- Invoices are correctly coded for posting to the financial ledger; and
- The roll out of e-Procurement throughout the Council is properly controlled.

## 1.17 Unified Benefits System

The specific objectives of this review will assess whether:

### ***Council Tax & Housing Benefits***

- Benefit can be awarded only to valid applicants;
- Claims are accurately assessed and benefit calculated in accordance with Regulations;
- Claims are processed and determinations made within the timescales required by Regulations;
- Benefit awards are correctly recorded in the benefits system, the rent accounting system and the financial ledger;
- Adequate steps are taken to prevent and detect fraud;
- Overpayments are recovered, where appropriate; and
- The annual subsidy claim is accurate and complete.

## 1.18 Payroll

The previous focus for the payroll audit has been to assess the roll out of HR Payroll. In 2006 - 2007, Internal Audit will look at the operation of the Payroll. The specific objectives of the review will be to assess whether:

- Payments are made only to valid employees;
- Payroll budgets are set in accordance with pre-determined approved policy objectives;
- Payments are correctly calculated in accordance with contracts of employment, pay scales, hours worked, other authorised allowances and exception reports produced etc;
- Data (particularly standing data) is accurate, complete, access controlled and secure;
- Arrangements exist for creating back-up copies of data, storing and retaining it securely to enable recovery in the event of failure; and
- The system contributes to the Council's ability to demonstrate that resources are being used in an economical, effective and efficient way.

## **2. Non-Financial Audits**

The non-financial section of the strategic audit plan recognises activities that require to be reviewed on an annual basis. These include corporate governance and statutory performance indicators.

Internal Audit in complying with the CIPFA Code of Practice for Internal Audit, has prepared this section of the report incorporating high risk areas identified by Heads of Service in an operational risk exercise carried out between the Corporate Services Department - Governance & Risk section, Internal Audit and its partner KPMG.

### **2.1 Best Value Audit**

2.1.1 Internal Audit will continue to monitor the implementation of the agreed recommendations by management pertaining to Best Value Scrutiny Reviews carried out for Human Resources, Partnerships and Partnership Working, and Legal Services.

2.1.2 Internal Audit, following a recent Best Value review of the Council by Audit Scotland, will allocate resources to provide an independent challenge and review facility. This will aid the process of improvement and change as management progress the implementation of points outlined in the agreed Best Value action plan issued by Audit Scotland.

### **2.2 Community Services – Care Services**

2.2.1 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.

2.2.2 Community Services Departmental management have been progressing the recommendations that arose from the above named national report. In 2005 – 2006 the joint implementation group (JIG) composed of both Council and NHS staff appointed a consultant to look at "Adapting to the future" within a feasibility study on improving service delivery. The resulting report due in March 2006 will detail the actions that must be taken in order for the Council to become compliant with the recommendations of the national report.

2.2.3 Internal Audit in 2006 - 2007 will follow up the consultant's report to establish that progress is being made by the joint implementation group to progress the issues raised in the consultants report.

### **2.3 Community Services – Education NPDO**

Internal Audit resources will be allocated to contract monitoring of the Council Education NPDO programme. Consideration will be given to the policy and objectives set, the processes and procedures in place for contract management and reporting.

### **2.4 Community Services - HMIE**

HMIE in 2005 issued a report following their inspection of functions within the Education Service. The report found that Education Service demonstrated good and

improving performance across many different aspects of its work. In order to improve standards further an Action Plan was agreed between Education Service management and HMle. In 2006 – 2007 Internal Audit will carry out an audit to establish that the management implementation addresses the actions agreed in the HMle report.

## **2.5 Community Services – Transportation**

- 2.5.1 As a result of a Heads of Service risk evaluation exercise carried out at the end of January 2005 the above area was identified as a high risk area. This was then followed by the issue of an Internal Audit report in May 2005 which provided a view on the need to identify whether Best Value is presently being achieved. The report highlighted areas for further management investigation.
- 2.5.2 Internal Audit in 2006 - 2007 will follow up the actions of management to establish what progress is being made.

## **2.6 Development Services – Partnership Project Funding**

Audit time has been set aside within annual audit plan to look at the Planning Sections reliance on external funding and its importance in supporting core functions.

## **2.7 Corporate Services – Risk Management Register**

The Council has developed a risk register and at present it is being updated. Internal Audit has set aside time within the annual plan to review the register once the update process is complete.

## **2.8 Corporate Services – ICT Applications**

A risk evaluation exercise carried out at the end of January 2005, highlighted a number of key operational risks that could potentially lead to a problem for the Council, in particular unauthorised access to IT systems resulting in a breach of confidentiality, disruption and lack of system integrity. In co-operation with our partner KPMG audit work in 2005 – 2006 was directed to IT Security. In 2006 – 2007 the audit emphasis will be on IT applications. Discussions are presently taking place with both ICT management, KPMG and Audit Scotland to agree the scope and objectives for the audit.

## **2.9 Operational Services – Roads & Amenity Services**

As part of the 3 year strategic audit plan 2005 – 2008, audit time had been planned for an audit of Waste Management in 2006 – 2007. However, Internal Audit as part of the Grant Funding audit in 2005 – 2006 audited this activity. The Head of Service is currently reviewing other areas where Internal Audit could be of assistance.

## **2.10 All Services – Common Areas**

Set out below are a number of non financial audits identified from a recent Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks common to all Heads of Service. Internal Audit in 2005 – 2006 reviewed these areas in order to determine an audit approach for subsequent audits. Resources have been allocated within the annual audit plan and discussions will take place with the Heads of Service as to the best way to address their particular issues. The audit areas are:

- Partnership Working;
- Strategic Asset Management;
- Property Asset Management;
- Business Continuity Planning; and
- New Legislation.

## **2.11 Corporate Governance Compliance**

2.11.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) together published 'Corporate Governance in Local Government – A Keystone for Community Governance'. This is a guidance note to assist Councils in achieving good practice in respect of corporate governance. As per last year an IFCS statement will be produced by internal audit based on our review of both external and internal audit reports and each Director's IFCS. The IFCS identifies any areas of potential weakness in the systems of financial control that have or will need to be addressed by departments.

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

## **2.12 Council wide - Performance Indicators, Council PIs**

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

2.12.2 The broad objectives of this review will be to review the processes for reporting key performance indicators. Internal audit will select PIs for review in three ways, the first on variance from previous year's figures of more than 2 %, secondly where PIs are in a Transitional, Change or New status and thirdly those PIs that failed last year. Failed PIs will be reviewed again to assess compliance. The remainder will be the subject of a desktop review. Departments and PI co-ordinators have been advised of the requirement to maintain notes on variances so that back up is available for the auditor to check.

## **3. Contingency Days 2006 – 2007**

Audit days have been included within the strategic audit plan for contingency. This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

- Notification of frauds, significant weaknesses or loss;
- Consideration of controls for new or amended systems; and
- Reviews of significant breakdown of internal control that cannot be accommodated within planned audits.

### **3.1 Special Investigations**

The management of the Council may from time to time request that Internal Audit carry out special investigations on particular issues identified by Council management. Audit days are provided within the annual audit plan for this activity.

### **3.2 Risk Assessment / Strategic Plan / Annual Plans**

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

- Closely work with Corporate Services – Risk Management Group ; and
- Ensure that the strategic audit plan and annual plans reflect all necessary changes.

### **3.3 Follow-up of Internal & External Audit Recommendations**

The specific objectives of this review will be to assess and report to the Audit Committee on:

- Progress made by management to address agreed recommendations made by both internal and external audit.

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

**AUDIT COMMITTEE**  
**3 MARCH 2006**

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**EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2005 – 2006.**

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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 the 31<sup>st</sup> December 2005.

**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, 2004/05 and 2005/06 Internal Audit reports issued prior to December 2005. It details the number of recommendations to be implemented by the follow up date, the number implemented and those past their implementation date. The implementation date used for reporting to this Audit Committee is the 31st December 2006. 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 follow up 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 November to December 2005. The second document lists action points outstanding from the previous Audit Committee. These are points that should have been implemented by the 30th of October 2005 for the last Audit Committee. The same layout has been used for the reporting of Audit Scotland report recommendations in Appendices 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. There are no external audit reports for this Audit Committee.

**AUDIT COMMITTEE REQUESTS**

- 3.4 Internal Audit can report that The Head of Planning & Performance has provided evidence that action point 2 in the 2004/05 Car Allowances report has been addressed. This was an action point which the Audit Committee wished addressed without further delay.
- 3.5 A report on the Scrutiny Review of Legal Services originally scheduled to be presented to the SPC in January 2006, is currently being reviewed by the Director of Corporate Services. The report will be presented to the SPC on the 22<sup>nd</sup> of March 2006.

**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 or Alex Colligan of Internal Audit on (01546 604216 or 604271)

22 February 2006  
22Febreport22Feb



**Internal Audit Report Follow up - Summary**

**Reports With Recommendations Due From November to December 2005**

<b>Audit</b>	<b>Report Number</b>	<b>Points to be actioned by 31 December 2005</b>	<b>Points actioned by implementation date</b>	<b>Behind Schedule/ Insufficient evidence received</b>
<b>2004/05</b>				
Prudential Code	17 (May 2005)	1	0	1 A5
Review of HRA Rents	13 (March 2005)	1	1	0
Best Value Review 2004-05	13 (December 2004)	1	0	1 B10
<b>2005/06</b>				
Review of Creditors	3 (November 2005)	5	5	0
Review of Leisure Services Procurement	6 (December 2005)	2	1	1 C3
<b>Total</b>		<b>10</b>	<b>7</b>	<b>3</b>

Points Outstanding From Previous Audit Committee

Audit	Report Number	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2005	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
<b><u>2003/04</u></b>						
Review of the Progress of the Joint Future Agenda	<u>28 Reports</u> 26 (May 2004)	5	1	0	1	E6
<b><u>2004/05</u></b>						
Prudential Code	<u>20 Reports</u> 17 (May 2005)	2	2	2	0	
Best Value Review 2004/05	8 (Dec 2004)	1	1	0	1	B9
Car Allowances - Education	6 (Sep 2004)	1	1	1	0	
Review of Unified Benefits	10 (December 2004)	2	2	2	0	
<b><u>2005/06</u></b>						
Review of Year-end Stock Count Procedures	1 (August 2005)	2	2	2	0	
Review of Performance Indicators 2004/05	2 (August 2005)	1	1	0	1	D1
Total		14	10	7	3	

Action Points Behind Schedule – Internal Audit**A – Review of the Prudential Code**

<b>Ref</b>	<b>Action Point / Implication</b>	<b>Department / Head of Service</b>	<b>Explanation for delay</b>	<b>Risk Grading</b>	<b>Original implementation date</b>	<b>Revised implementation date</b>
5	Business plans have only been done for a limited number of projects. There is a need to develop an approach to business case and option appraisal for all projects that reflects robust estimates at the outset.	Head of Strategic Finance	The work on developing an approach in respect of producing business plans is ongoing. The decision to include block allocations rather than specific projects in the capital programme when it was approved in December 2005 removed the urgency in finalising the approach to this topic. CIPFA in Scotland is looking to produce detailed guidance on Options Appraisal which will be incorporated into the approach to business plan being developed. The recent Audit of Best Value will require changes to the Corporate Plan and again these changes will need to be reflected in the approach to business planning.	Material	30 November 2005	30 June 2006

## B – Best Value Review 2004/05

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
9	The agreed actions from this review have not been fully implemented or reported on.	Head of Legal & Protective Services	The report on the Scrutiny Review of Legal Services has been prepared by the Head of Legal & Protective Services and is currently being reviewed by the Director of Corporate Services. The report is scheduled to be presented to SPC in March 2006.	Material	31 January 2005	22 March 2006
10	A Voluntary Sector Policy Group was to be created. To meet regularly to produce a Code of Conduct for Volunteers for the Council and a report for senior management detailing outcomes of the 10 point plan.	Head of Community Regeneration	The Voluntary Sector Policy group has now been meeting for 2 years. The Group has produced a Code of Conduct on Volunteering for the Council.  The Group are currently preparing a report of the outcomes of the 10 point action plan for the SPC in June 2006	Material	31 December 2005	30 June 2006

**C – Review of Leisure Services Procurement**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation on date	Revised implementation date
3	Poor security at Victoria Hall in Campbeltown	Head of Facility Services	Procedures to be revised as part of Aqualibrium set-up.	Material	8 November 2005	31 May 2006

**D – Review Of Performance Indicators 2004-2005**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation on date	Revised implementation date
1	Children's Services PI 12 - Social Background Reports - The Service needs to ensure that Helensburgh Area Records are kept to the same standard as other Areas	Head of Children & Families via Area Service Manager	I have just recently been appointed as Area Manager. The following actions have been taken to address the audit recommendation. Discussions with the Team Leaders to create a more suitable staffing structure. A workload management tool is to be introduced so that workloads remain at a manageable level. Staff training is currently being developed. These improvements will allow long term work to be undertaken and at the same time meet the requirements of the audit recommendation.	Material	1 August 2005	31 July 2006

## E –Review of the 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
6	Corporate and political governance arrangements require further development. Ditto for joint clinical/service governance systems and clinical risk assessment and management systems.	Head of Integrated Care	With the support of the Joint Improvement Team of the Scottish Executive a draft framework was developed at a Joint Strategic Conference in November 2005 and is now to be considered by the Joint Strategy Group on 7 <sup>th</sup> April 2006.	Material	3 June 2004	7 April 2006

**External Audit Report Follow up - Summary**

**External Audit Reports With Recommendations Due From November to December 2005**

Audit	Points to be actioned by 31 December 2005	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received
<b><u>2003/04</u></b>			
Management of Community Equipment & Adaptations	1	0	1 C6
<b><u>2004/05</u></b>			
2004/05 Audit - Final Report to Members	2	2	0
Information Management Review	1	1	0
Business Continuity Planning Review	2	2	0
Improving Customer Services Through Better Customer Contact	1	0	1 B1
<b><u>2005/06</u></b>			
Web Overview	3	2	1 A3
<b>Total</b>	<b>10</b>	<b>7</b>	<b>3</b>

**Points Outstanding From Previous Audit Committee**

<b>Audit</b>	<b>Points Still Outstanding From Previous Audit Committee</b>	<b>Points to be actioned by 31 December 2005</b>	<b>Points actioned by implementation date</b>	<b>Behind Schedule/ Insufficient evidence received</b>
Regularity & Governance (2)	2	2	2	0
Regularity & Governance (3)	2	1	1	0
2003/04				
Management of Community Equipment & Adaptations	4	4	0	4
Review of PPP Management Arrangements	1	1	1	0
<b>Total</b>	<b>9</b>	<b>8</b>	<b>4</b>	<b>4</b>

C8, 14, 15 & 23



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

**A – Web Overview**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
3	It is Council policy to use plain English and they should recommend and encourage that it is used where applicable. Many website authors have received training in plain English	Communications Manager	The training providers we approached were unable to provide the course to our original timetable. The work is currently with prospective providers.  More individual members of the web team have taken up the option of the OU course.	Medium	31 December 2005	31 May 2006

**B – Audit Scotland Improving Customer Services through Better Customer Contact**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	Councils need to commit to actively pursue a programme to manage customer service improvements as this is central to effective service delivery.  Councils should improve how they research customers' opinion on service and make better use of feedback.  Councils should improve performance measurement.	Head of Democratic Services and Governance	Customer contact centre tender process underway to procure business case justification, telephony. CRM, web self serve, business process change, implementation and joint management of dispersed customer contact centre. tender return date end march 2006  a tender for the above is out to a select group of 5 companies who will deliver a contact centre after council approve a business case	Medium	31 December 2005	After successful tenderer has been appointed.

## C – Audit Scotland - Management Of Community Equipment &amp; Adaptations

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
6	The Council should consider the effect of demographic and other environmental changes in planning for the future needs of the service	Planning Officer Community Care	This has been included within an agreed brief for a feasibility study being conducted by AGE Ltd. A consultant was appointed to carry out the feasibility study and the first draft report is being delivered to a meeting of Senior Joint Managers on 2nd February and thereafter is scheduled to be considered by the Joint Strategy Group at their meeting of 7th April	Medium	31 December 2005	31 March 2006
8	The Council should identify standards for storing, transporting and cleaning equipment and periodically audit the arrangements to ensure compliance	Service Officer Disability and Sensory Impairment	As action point 6 above and consultation with Quality Assurance Unit ongoing	Medium	31 August 2004	As above
14	Consideration should be given to establishing and reporting information on the level of recycling of equipment	Service Officer Disability and Sensory Impairment	As action point no. 6	Medium	As above	As above
15	A service, maintenance and repair policy should be developed within the local service.	Service Officer Disability and Sensory Impairment	A consultant was appointed to carry out the feasibility study and the first draft report is being delivered to a meeting of Senior Joint Managers on 2nd February and thereafter is scheduled to be considered by the Joint Strategy Group at their meeting of 7th April	Medium	As above	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	Head of Planning & Performance and Head of Community Support	As action point no. 15	Medium	31 December 2003	As above

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**ARGYLL AND BUTE COUNCIL**  
**Chief Asset Manager, Development Services Department**

**AUDIT COMMITTEE**  
**31st January 2006**

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## **Report on Asset Management**

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### **Background**

The Audit Committee in 2005 requested regular updates of progress with the asset register and implementation of asset management strategy/planning. This report identifies the main elements of asset management planning, its development and progress.

A number of action items previously identified are now complete, and those items have been removed from this report. Therefore this update contains only the current work items and associated details of asset management activities.

### **Requirement:**

*This report provides additional information to the previous reports of September and November 2005 to the Audit Committee, and details the process being followed for the production of the Asset Register.*

### **Development**

The tasks in essence are about establishing a process rather than completing a task. Once the actions have been completed the Council will have an established process and a sound basis in place for managing its assets, collecting and using the information necessary to do so. Out-with the above, further tasks related to asset management are underway and these include input by the Asset Management Team to reviews on rationalisation of council properties and regeneration projects in Helensburgh, Oban, Campbeltown and Dunoon.

### **Progress:**

In summary terms implementation of the asset management strategy is being taken forward in 5 broad areas. These are:

- 1 Completeness check;
- 2 Conditions and costings;
- 3 Asset use;
- 4 Options appraisal; and
- 5 Computer systems.

Each of the broad areas can be broken down into more specific issues. The specific issues and progress against each of these is noted below along with responsibility.

<b>1 Completeness check</b>	<b>Current Position</b>	<b>Responsibility</b>	<b>Action dates</b>
1.2 Who is the owner/user for each asset?	A detailed list of Assets was provided to Services in October, for confirmation and verification of Service owned Assets. Some responses have been received, and discussions are on going.	Strategic Finance, Legal & Protective, User Depts	<b>Oct 05 commenced</b> <b>Jan 06 expected completion date</b>  <b><u>January 2006 update</u></b> <b>This work item is still ongoing.</b> <b>Completion date now anticipated March 2006.</b>
<b>2 Conditions and Costing</b>	<b>Current Position</b>	<b>Responsibility</b>	<b>Action Dates</b>
2.2 Are assets fit for purpose?	Assets fitness for purpose will be assessed by services based upon a combination of factors such as condition surveys, suitability, service delivery, operational requirements, desired performance levels, and stakeholder's views.	User Depts, IT, Fleet Mgt, Property, Roads & Health & Safety	<b>Expected time frame for reporting is June 2006.</b>  <b><u>January 2006 update</u></b> <b>Data collection is on-going which will be used to support this activity.</b>
2.3 What do we need to spend to make assets fit for purpose?	Financial spending is dependant upon the assessment of requirements and information obtained within sections 2.1 and 2.2. (Action items 2.1 and 2.2 complete and removed from document)	IT, Fleet Mgt, Property, Roads & Health & Safety	<b>Expected timeframe for reporting is June 2006</b>  <b><u>January 2006</u></b> <b>Whole life cost information is to be collected through condition surveys and this data collection process is on-going.</b>
<b>3 Asset Use</b>	<b>Current Position</b>	<b>Responsibility</b>	<b>Action dates</b>
3.1 What use do we make of our assets?	This will commence once the asset completeness checks above are complete. This will be based upon user demand and Service planning /operational requirements.	User Depts.	<b>Expected timeframe for reporting, Dec 2006.</b>  <b><u>January 2006 update</u></b> <b>This work item is anticipated to be developed through the Draft Best Value Audit Improvement Plan.</b>
3.2 What are our future asset requirements?	This will commence once the asset completeness checks above are complete.	User Depts.	<b>Expected timeframe for reporting, Dec 2006.</b>  <b><u>January 2006 update</u></b> <b>This work item is anticipated to be developed through the Draft Best Value Audit Improvement Plan.</b>
<b>4 Options Appraisal</b>	<b>Current Position</b>	<b>Responsibility</b>	<b>Action dates</b>
4.1 Do we need this asset/What are the alternatives?	A review of appropriate approaches to and development of an initial approach to options appraisal will take place in 2005-06 as per the draft Best Value Audit Improvement Plan. This will require review, refinement and further development from 2006-07 onwards.	User Depts, IT, Fleet Mgt, Property, Roads & Health & Safety	<b>Expected timeframe for reporting Oct 2006.</b>  <b><u>January 2006 update</u></b> <b>This work item is anticipated to be developed through Best value and the Draft Best Value Audit Improvement Plan.</b>

<b>5 Computer Systems</b>	<b>Current Position</b>	<b>Responsibility</b>	
5.1 Identify systems to be put in place to manage recording, transfer and management of data related to asset management.	Scoping study currently being carried out by the Chief Asset Manager and scheduled for completion by 30 September 2005. There will be a second stage to this to implement decisions based on the scoping study.	User Depts, IT, Fleet Mgt, Property, Roads & Health & Safety.	<p><b><u>Update November 2005</u></b>  <b>The asset management group's direction is to specify a corporate level system based upon a prioritised list of strategic finance and operational requirements.</b></p> <p><b>A number of service based computer systems are currently in use for asset management activities.</b></p> <p><b><u>Update January 2006</u></b>  <b>January 2006 – currently awaiting response and information from Strategic Finance.</b></p>

John MacNicol  
Chief Asset Manager  
23<sup>rd</sup> January 2006

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

**AUDIT COMMITTEE**  
**3 MARCH 2006**

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**HMIE REPORT 2004 – 05**

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**1. SUMMARY**

The Education Service of Argyll & Bute Council was inspected during the period December 2004 to January 2005 by HM Inspectorate of Education (HMIE), as part of a 5 year national inspection programme of all local authorities in Scotland. In June 2005 HMIE issued their inspection report. This outlined service key strengths plus areas requiring improvement. The HMIE review found that the service demonstrated good and improving performance and indicated areas where further improvement could be made.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 In response to the report, HMIE & Education Service management at the beginning of September 2005 agreed an Action Plan. This was then presented and approved by the Strategic Policy Committee (SPC) on the 8<sup>th</sup> of September 2005, and provided to the Audit Committee at the last meeting. The Action Plan contained 4 main action points, with sub sections detailing areas of concern, management comment, the responsible officer and implementation dates.

3.2 As at the 6<sup>th</sup> of February 2006, Education Service management have reported to Internal Audit that all of the action points are being progressed. They point to the fact that they are entering the evaluation phase on some of the action points, thus ensuring that the work done addresses the point agreed with HMIE. See Appendix 1.

**4. CONCLUSIONS**

Internal Audit will monitor progress by Education Services management as they address the issues contained in the agreed Action Plan.

**5. IMPLICATIONS**

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

Internal Audit Manager 6 February 2006.  
6Febfinalreport6Feb





**ARGYLL AND BUTE COUNCIL  
COMMUNITY SERVICES: EDUCATION**

## **INSPECTION OF THE EDUCATION FUNCTIONS OF LOCAL AUTHORITIES**

### **ACTION PLAN**

The following stakeholders were consulted in the process of developing this action plan. Their contributions, ongoing involvement and support are welcomed and greatly appreciated in its implementation.

- The Education Spokesperson and Elected Members
- The Director, Community Services and Heads of Service
- The Quality Standards Manager and Quality Improvement Officers
- Head Teachers
- Council Staff in Community Services and Partner Services
- Professional Associations
- Parent Representatives

**SEPTEMBER 2005**

## EXECUTIVE SUMMARY

HMIE found that Argyll and Bute Council demonstrated good and improving performance across many different aspects of its work. Overall, from a sound base, the Education Service was strengthening its impact on meeting the Council's key aim of being recognised as Scotland's leading rural area.

The overarching challenge the Council needs to meet is to further improve the existing high levels of attainment, particularly in secondary schools and to continue to monitor the impact of the teams of Quality Improvement Officers on raising pupils' attainment, broadening their achievements and improving learning and teaching.

The underlying purpose of this Action Plan is to ensure that the key elements of this challenge will inform and have significant impact on the delivery of outcomes from:

- the Service Improvement Plan 2005-8
- the annual Improvement Objectives of the Education Authority, 2005 and 2006
- School Improvement Plans 2005/6 and 2006/7

on continuing improvements in:

- monitoring the implementation of key policies, initiatives and priorities and evaluating their impact on learning improvement
- promoting and supporting a culture of 'improvement from previous best'
- engaging with stakeholders in gaining views on aspects of educational change and influencing decision making
- recognizing and undertaking effective or innovative practice and school and pupil achievement

and on addressing the main points for action identified by HMIE.

Implementation of the action plan will be given major priority and will be closely monitored by the Strategic Policy Committee, Education Spokesperson, Director and Heads of Service in Community Services.

The Education Service's Management Team and Quality Improvement Officers will provide clear direction and support to ensure that Head Teachers and schools address the key priority of continuous improvement and will monitor the effectiveness of schools in securing raised attainment for children and young people in Argyll and Bute.

**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
**Action Plan following INEA Inspection**

<b>Main Point for Action 1 : Establish closer integration between service and budget planning</b>					
<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
<p>Improve the collation and presentation of information matched to Budget and Service Plan priorities.</p>	<p>Budget allocations are matched to priority areas to secure planned developments.</p> <p>A more robust system of monitoring budget spend and impact as priorities are achieved is in place.</p>	<p>Ensure overall budget statements are applied to each priority area of operation.</p> <p>Apply financial resource requirements to all National Priority areas of development.</p> <p>Identify all specific grants applying to SEED initiatives.</p> <p>Ensure budget monitoring includes information on progress in meeting service plan targets.</p> <p>Ensure spending plans refer to agreed service plan priorities.</p>	<p>Heads of Service – Education, Quality Standards Manager, Accounting Services Manager, Quality Improvement Officers.</p>	<p>Current service planning cycle, completed by March 2006.</p>	<p>Service Plan includes detailed spending plans for each priority area.</p> <p>Budget monitoring procedures in place including specific grants relating to SEED initiatives.</p>
<p>Service Improvement, Planning and Reporting.</p>	<p>A more cohesive approached to planned services and improved joint working across</p>	<p>Review the framework for reporting progress on key priorities to include more information on the impact and</p>	<p>Quality Standards Manager, Policy and Strategy Manager.</p>	<p>By July 2006.</p>	<p>Quarterly reports now include statements on INEA and NPDO</p>

**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
**Action Plan following INEA Inspection**

**Main Point for Action 1** : Establish closer integration between service and budget planning

<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
	<p>Council services is evident.</p> <p>It can be seen that strategies to ensure a Best Value approach to service planning are agreed and established.</p>	<p>effectiveness of agreed practices.</p> <p>Further develop effective joint working between the Quality Standards Manager and the Council's Policy and Strategy Manager to improve consistency between Corporate and service planning processes.</p> <p>Explore the development of Best Value approaches to Service Planning with a focus on consultation, sound governance, effective resource management and sustainable development.</p>			<p>progress.</p> <p>Quality Standards Manager and School Support Manager are members of the Council's Best Value Network.</p>

**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
**Action Plan following INEA Inspection**

**Main Point for Action 2:** Address the issues of capacity and the physical environment in schools

<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
Addressing overcapacity in primary schools.	The profile of the school estate presents as having available capacity fully and appropriately utilised for the benefit of all pupils.	Develop within the School's Estate Strategy, clear and practical procedures to address increasing overcapacity in primary school buildings.	Head of Planning & Performance.	Session 2005/2006 and ongoing.	The School Estate Strategy is currently being updated in collaboration with IPF consultants and is due to be submitted to the Scottish Executive by April/May 2006.
Achieving an improved environment for learning.	A more systematic approach to planning and implementing improvements in the schools' estate is in place with high levels of satisfaction from users.  There are effective and smooth transitions from old to new buildings.	Identify priority decisions relating to the management of the school estate and the need to respond timeously to improving the environment for learning in specific schools.  Support the effective implementation of the NPDO initiative for replacing identified schools within the authority.  Ensure effective working relations between the NPDO staff, property services and senior managers in schools over the ongoing school building improvements.	Head of Planning & Performance.  Head of Capital Funding Project Head of Planning & Performance	Session 2005/2006 and ongoing.	Work is ongoing through the Education Capital Programme with expenditure being targeted on DDA and Health and Safety compliance as well as the improvement of the poorest quality property attributes.

**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
**Action Plan following INEA Inspection**

**Main Point for Action 3:** Strengthen procedures for monitoring and evaluating the performance of all schools including secondary schools

<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
Planned review of aspects of school performance.	Continuous improvement in school leadership, teaching and learning and attainment and achievement is evident in all authority schools.	<p>Quality Improvement Officers (QIOs) will further develop positive and open relationships with link schools in relation to challenge and support.</p> <p>Monitoring and tracking performance through analysis of attainment information, Key Area Visits, School Reviews and HMIE school inspections.</p> <p>Identification of areas of curriculum where attainment and achievement requires to be improved across the authority and in individual schools.</p> <p>Monitoring the effectiveness of the role of school managers in securing improvement.</p>	Quality Standards Manager, Quality Improvement Team.	From Session 2005/2006.	<ul style="list-style-type: none"> <li>▪ SEEMIS and STACS data and Fyfe analyses used with HTs to discuss attainment during KAVs, school reviews and other visits with a focus on attainment.</li> <li>▪ Use of SEEMIS and STACS data and Fyfe analyses to identify areas for improvement at school and individual levels.</li> <li>▪ KAVs, School Reviews and HMIE inspections used to monitor effectiveness of HTs.</li> </ul>
Performance at S1/S2.	Improved attainment and achievement in 5-14 national assessments, in particular the achievement of level E in S1 and by the end of S2.	<p>Link QIOs to focus on measures to support schools in increasing 12-14 attainment in writing and mathematics.</p> <p>Discussion on 5-14 results to be included in monitoring visits by QIOs. QIOs to support school managers in</p>	Quality Improvement Team.	Session 2005/2006 and ongoing.	Collaborative work under way with primary and secondary QIOs to focus on Writer's Craft and improved attainment in mathematics.
			Quality	Session 2005/6	Secondary QIOs focusing

**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
**Action Plan following INEA Inspection**

**Main Point for Action 3:** Strengthen procedures for monitoring and evaluating the performance of all schools including secondary schools

<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
Performance in SQA examinations.	Improved SQA examination results at all levels.	<p>auditing, reviewing and delivering S1/S2 course plans.</p> <p>Continue formal meetings with head teachers and SMTs involving Heads of Service, Quality Standards Manager and link QIO to review performance in SQA examinations and school strategies for improving on previous best.</p> <p>Review arrangements for head teachers to present Standards and Quality Reports on an annual basis to elected members at area committees.</p> <p>Training of principal teachers to interpret examination results data and to use the Standard Tables and Charts (STACS) and Fyfe Analyses to improve subject performance.</p> <p>STACS interactive training package made available to all secondary schools.</p>	<p>Improvement Team</p> <p>Head of Service – Secondary, Quality Standards Manager.</p> <p>Fyfe Consultancy.</p> <p>Quality Standards Manager.</p>	<p>and ongoing.</p> <p>Session 2005/6 and ongoing.</p> <p>Session 2005/2006.</p> <p>August 2005.</p>	<p>with PTs in scheduled subject development meetings on curriculum and assessment in S1/2.</p> <p>SQA attainment formally discussed at secondary HTs' meetings. Link QIOs involved with school senior managers and PTs in evaluating performance and identifying points for action.</p> <p>Progress with attainment action plans to be discussed with HTs by heads of service throughout February. Plans in place to ensure this happens.</p> <p>QIOs have led targeted training with PTs using STACS and Fyfe data at subject development meetings. Performance reviewed on school and authority basis.</p>

**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
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**Main Point for Action 3:** Strengthen procedures for monitoring and evaluating the performance of all schools including secondary schools

<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
The development of strategic management in secondary education.	Improve standards incorporate leadership in secondary schools and roles of head teachers extended at authority level.	Continue to involve the secondary head teachers in regular forums to further develop school leadership, raising standards and further development of head teachers' roles as senior managers in the authority.	Head of Service – Secondary Quality Standards manager.	Session 2005/2006 and ongoing	Secondary head teachers' forum focusing on SQA examinations and Age and Stage arrangements, Ambitious, Excellent Schools developments and Policy and Practice in quality improvement.
Develop procedures for systematically maintaining the extent of policy implementation and the impact of policies on pupils' experiences.	Improvements in teaching and learning. Central authority staff are aware of school performance and provide appropriate support and challenge to secure improvement.	Implement procedures for monitoring the impact of key policies in schools. Ensure the impact on pupils is monitored through classroom observation, Key Area Visits and School Reviews. Review 'Teaching for Effective Learning' to reflect both the broader and specific aspect of 3-18 language and culture and improve the impact of the policy in secondary schools.	Heads of Service – Education, Quality Standards Manager, Quality Improvement Team.	Session 2005/2006 and ongoing.	Monitoring and evaluation seminars for all primary HTs. Extensive monitoring and evaluation folder and DVD produced and issued to all primary HTs.  Monitoring and evaluation arrangements added to Quality Improvement Framework for secondary. QIOs formally reviewing with head of service post HMIE inspection action plans in secondary.



**ARGYLL & BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION**  
**Action Plan following INEA Inspection**

**Main Point for Action 4:** Ensure more effective support for the curriculum and learning and teaching in secondary schools to achieve the Council's aim of raising attainment and achievement further.

<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
Identify and disseminating good practice.	Improved standards in teaching and learning in all subject areas will be ensured through effective networking that shares good practice amongst all schools.	The education authority will support education authority and school staff to access nationally recognised centres of effective practice and effective provision in other authorities.  Education staff will acknowledge and disseminate effective practice in Learning and Teaching and curriculum delivery identified through: Key Area Visits; School Reviews and HMIE Inspections.	Heads of Service – Education.  Quality Standards Manager.  Quality Improvement Officers.	From session 2005/2006 and ongoing.	Key Area Visit forms amended. School Review Programme extended. AifL good practice DVDs produced and disseminated to all staff. Primary newsletter produced and issued termly. Secondary QIOs sharing effective practice through school visits and subject development days and joint work with HMI.
Increase focus on pedagogy in securing high quality Teaching and Learning in every classroom.	High standards in teaching and learning and improved pupils' experiences.	QIOs will use the authority's 'Learning Plan' as a framework for leading and supporting the development of a professional learning culture.	Quality Improvement Officers.	From September 2005.	Four seminars on "Our Learning Culture" for all HTs – Plans in place to roll out level to all staff during one inset day – session 2006/07.

<b>ARGYLL &amp; BUTE COUNCIL: COMMUNITY SERVICES – EDUCATION</b> <b>Action Plan following INEA Inspection</b>					
<b>Main Point for Action 4:</b> Ensure more effective support for the curriculum and learning and teaching in secondary schools to achieve the Council's aim of raising attainment and achievement further.					
<b>Areas for Development</b>	<b>Impact</b>	<b>Strategy to Support Improvement</b>	<b>Persons Responsible</b>	<b>Timescale</b>	<b>Progress as at 6th February 2006</b>
		QIOs to support effective networking with subject leaders and PTs to agree priorities for development and secure appropriate staff and curriculum development support within in-service provision and CPD programme.	Quality Improvement Officers.	From session 2005/2006 and ongoing.	Priorities for development days supported by QIOs and subject leaders. Needs analysis being undertaken to identify future priorities for in-service and professional development.

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ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

STRATEGIC FINANCE

3 MARCH 2006

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**STRATHCLYDE PENSION FUND (SPF) – AUTHORITY REPRESENTATION  
UPDATE**

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**1. SUMMARY**

- 1.1 The Audit Committee on 9 December 2005 requested a report outlining the legislative basis for Glasgow City Council's (GCC) role as Administering Authority for the Strathclyde Pension Fund (SPF).
- 1.2 This report describes the legislative basis and the mechanisms that are in place to reconcile Local Government Pension Scheme regulations with wider pension fund law.

**2. RECOMMENDATION**

- 2.1 That the Committee note the content of this report.

**3. DETAIL**

*Administrative Arrangements*

- 3.1 The administering authority for the Strathclyde Pension Fund is Glasgow City Council and Argyll and Bute Council is included in this fund. This is laid out explicitly in Schedule 3A of the Local Government (Superannuation and Compensation for Redundancy or Premature Retirement) (Scotland) Amendment Regulations 1995.
- 3.2 The role of the Administering Authority in terms of monitoring the fund is also outlined in the Local Government Pension Scheme (Scotland) (Management and Investment of Funds) Regulations 1998 and Local Government Pension Scheme (Scotland) Regulations 1998. These update the 1987 regulations that stem from the 1972 Superannuation Act.
- 3.3 These regulations define the role of an Administering Authority as an authority that is 'required' to maintain a pension fund under the regulations.
- 3.4 The Regulations also provide that the Administering Authority must:

- Credit contributions from employers to the scheme
  - Obtain a valuation / actuarial report every 3 years
  - Secure a rates and adjustments certificate annually for the contributions
  - invest moneys that are not required to pay out benefits
  - Either manage investment itself or appoint investment managers who are qualified and ensure that there are a sufficient number
  - Have regard:
    - (a) to the need for diversification of investments of fund moneys,
    - (b) to the suitability of investments of any description of investment proposed and of any investment proposed as an investment of that description, and
    - (c) to proper advice, obtained at reasonable intervals
  - Observe the limits on investments in certain types of funds
- 3.5 There is also a requirement for employers to contribute to the fund annually in accordance with the rates and adjustments certificate.

*Other Pension Fund Legislation*

- 3.6 The Regulations require the Fund to observe other relevant investment legislation under the Occupational Pension Schemes (Investment) Regulations 1996. This is the only other piece of pensions legislation that is referred to in the Regulations.
- 3.7 The Scottish Public Pensions Agency (SPPA) drafts the regulations and is required to ensure that their provisions do not conflict with other pensions legislation. The SPPA periodically reviews the LGPS regulations to ensure that they do not conflict with general pensions legislation.

**4 CONCLUSION**

- 4.1 There is a considerable body of legislation and regulations that govern the Local Government Pension Scheme. This legislation clearly delineates the respective roles of the employer and the Administering Authority in the management of the Fund.
- 4.2 The only responsibility placed on the employer under this legislation is to make payments in accordance with the contribution rates recommended by the actuarial valuation.
- 4.3 While the employer has no formal, defined role in the executive management of the Fund, the SPPA acts as a safeguard to ensure that LGPS legislation does not conflict with the employer's responsibilities under general pensions law.

Bruce West  
Head of Strategic Finance  
3 March 2006

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**ARGYLL AND BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
3 MARCH 2006**

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**ANNUAL ACCOUNTS 2005-06**

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**1 INTRODUCTION**

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2006 and the preparation of the Council's annual accounts for 2005-06.

**2 RECOMMENDATIONS**

- 2.1 To note that plans are in place to prepare the Council's annual accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2006 in line with the Scottish Executives requirements.

**3 DETAIL**

- 3.1 "An Audit Committees – Practical Guidance for Local Authorities" has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This suggests that Audit Committees should have an overview of the plans made for preparation of the council's annual accounts.
- 3.2 A set of instructions for the end of the financial year have been drafted. These cover close down at the end of the council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements.
- 3.3 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure, capital charges and treasury management revenue accounts completed by 28 April.
  - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 28 April.
  - Council Tax and NDR entries completed by 16 May
  - Review and adjustments to ledger and central department cost allocations completed by 19 May.
  - Preparation of draft annual accounts including report by Head of Strategic Finance by 7 June.
  - Draft annual accounts considered by a meeting of the Full Council on 28 June.

- 3.4 The plans are in line with previous years. Previously external Audit has been satisfied with the quality of working papers and general arrangements for preparation of the annual accounts. The plan should result in annual account prepared by the required deadline of 30 June 2006 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2006.
- 3.5 From 2005/2006 all councils are required to prepare group accounts. Argyll and Bute Council opted for the transitional arrangements for the 2004/2005 Accounts to apply. These arrangements did not require group accounts to be prepared. The Council has now fully adopted the 2004 SORP's requirements for Group Accounts. Full comparatives are now required for 2004/2005. A separate group accounts timetable has been prepared to ensure that full compliance is achieved in respect of group accounts. This ensures that the group financial statements will be included in the annual accounts which will be considered by the Full Council on 28 June.
- 3.5 Copies of both sets of instructions / timetables are available from Head of Strategic Finance if required.

Bruce West  
Head of Strategic Finance  
24 February 2006