

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart



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23 March 2007

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **FRIDAY, 30 MARCH 2007** at **2:30 PM**, which you are requested to attend.

Nigel Stewart
Director of Corporate Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** (if any)
3. **MINUTES**
Audit Committee 8 December 2006 (Pages 1 - 6)
4. **ADAPTING TO THE FUTURE**
Report by Head of Integrated Care (Pages 7 - 10)
5. **LEGAL AND PROTECTIVE SERVICES PERFORMANCE - UPDATE**
Report by Head of Legal and Protective Services (to follow)
6. **AUDIT PLAN 2006/7**
Report by RSM Robson Rhodes (Pages 11 - 30)
7. **ANNUAL ACCOUNTS 2006/7**
Report by Head of Strategic Finance (Pages 31 - 32)
8. **INTERNAL AUDIT'S ROLE IN BEST VALUE**
Report by KPMG (Pages 33 - 38)
9. **MANAGING SCOTLAND'S ROADS - UPDATE**
Report by Internal Audit Manager (Pages 39 - 42)

10. QUARTERLY PERFORMANCE REPORTING AND BEST VALUE IMPROVEMENT PLAN

(a) Summary of Quarterly Performance Reports (Pages 43 - 46)

(b) Best Value Improvement Plan - Progress Report (Pages 47 - 48)

11. RISK MANAGEMENT PROGRESS UPDATE

Report by Head of Democratic Services and Governance (Pages 49 - 50)

12. ANNUAL AUDIT PLAN 2007-8

Report by Internal Audit Manager (Pages 51 - 74)

13. EXTERNAL AND INTERNAL FOLLOW UP

Report by Internal Audit Manager (Pages 75 - 98)

14. EDUCATION ICT TECHNICIANS TRAINING PLAN

Report by ICT Development Manager (Pages 99 - 100)

15. INTERNAL AUDIT PROGRESS REPORT 2006-2007

Report by Internal Audit Manager (Pages 101 - 104)

16. FUTURE ROLE OF THE AUDIT COMMITTEE

Proposed Terms of Reference (Pages 105 - 106)

17. BEST VALUE SERVICE REVIEWS

Report by Internal Audit Manager (Pages 107 - 108)

E1 (a) Appendix 1 (Pages 109 - 110)

E1 (b) Appendix 2 (Pages 111 - 118)

E1 (c) Appendix 3 (Pages 119 - 126)

E1 (d) Appendix 4 (Pages 127 - 136)

E1 (e) Appendix 5 (Pages 137 - 140)

(f) Appendix 6 (Pages 141 - 146)

(g) Appendix 7 (Pages 147 - 150)

(h) Appendix 8 (Pages 151 - 156)

18. CAMPBELTOWN NEW QUAY

(a) Extract of Council Minute 13 February 2007 (Pages 157 - 158)

E2 (b) Report by Internal Audit (Pages 159 - 174)

(c) Extract of Council Minute 22 March 2007 (to follow)

E2 (d) Joint Report by Heads of Legal and Protective Services and Roads and Amenity Services (Pages 175 - 184)

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

The appropriate paragraphs are:-

E1 **Paragraph 1** Information relating to a particular employee, former employee or applicant to become an employee of, or a particular office-holder, former office-holder or applicant to become an office-holder under the authority

E2 **Paragraph 6** Information relating to the financial or business affairs of any particular person (other than the authority)

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: Melissa Stewart

Tel. No. 01546 604331

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**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 8 DECEMBER 2006**

Present: Councillor Gary Mulvaney (Chair)

Councillor John Tacchi
Ian Ross

Councillor Elaine Robertson

Attending: Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
Susan Mair, Head of Legal and Protective Services
David Clements, Policy Manager
Gary Devlin, RSM Robson Rhodes
David Jamieson, Audit Scotland
Steve Keightly, KPMG

The Chairman welcomed Gary Devlin from RSM Robson Rhodes to his first meeting of the Audit Committee following their appointment as the Council's external Auditors.

1. APOLOGIES

Apologies were received from Christopher Valentine and Councillor Donald MacMillan.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The minutes of 21 September 2006 were approved as a correct record.

4. QUARTERLY SERVICE REVIEWS REPORTING

The Committee considered a report providing a summary of the Service quarterly reports for the period July to September 2006, consisting of the exceptional performance sections only.

Decision

It was agreed:

1. To note the contents of the report.
2. To request that future quarterly reports -
 - (i) Show quantifying impacts
 - (ii) Show any trends
 - (iii) Show who is responsible for rectification with a brief explanation of doing what action is being taken.

(Reference: Report by Policy Manager, submitted).

5. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2006-2007

An interim progress report had been prepared covering the audit work performed by Internal Audit up to the 3rd of November 2006. The objective of the report is to advise members of the progress of the Annual Audit Plan.

Decision

The Committee agreed to approve the progress made with the Annual Audit Plan for 2006 - 2007.

(Reference: Report by Internal Audit Manager dated 22 November 2006, submitted).

6. MAINTAINING SCOTLAND'S ROADS - UPDATE

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. The Committee considered the current implementation position in respect of planned actions.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report

(Reference: Report by Internal Audit Manager dated 24 November 2006, submitted).

* **7. EXTERNAL AND INTERNAL AUDIT FOLLOW UP**

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 both Audit Scotland and Internal Audit. The current reporting system was introduced and approved by the Audit Committee in August 2004. The Committee considered a report outlining the results from a review performed by Internal Audit for recommendations due to be implemented by the 30th September 2006.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report
3. To request a report be submitted to the SPC budget meeting in January and then to the Audit Committee on ICT training issues from the ICT Development Manager.
4. To seek clarification on the position of a common department Health and Safety approval form from the Head of Facilities.
5. To bring to the attention of the Chief Executive that some nominal rents are still subject to billing procedure when it is uneconomic to do so.

(Reference: Report by Internal Audit Manager dated 20 November 2006, submitted).

* **8. RECENT EXTERNAL AUDIT REPORTS ISSUED 2006**

The Committee considered a report providing an update on the performance of Strathclyde Pension Fund (SPF).

Decision

The committee decided that the attention of the Strategic Policy Committee should be drawn to the longer-term financial, social and ethical sustainability of the Scheme in its current form.

(Reference: Report by Head of Strategic Finance dated 8 December 2006, tabled).

9. HMIE REPORT 2004-05

As part of a 5 year national inspection programme of all local authorities in Scotland, the Education Service of Argyll & Bute Council was inspected during the period December 2004 to January 2005 by HM Inspectorate of Education (HMIE). 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 but indicated areas where further improvement could be made.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report

(Reference: Report by Internal Audit Manager dated 3 November 2006, submitted).

10. AUDIT OF ACCOUNTS 2005/2006: MEMBERS LETTER / AUDIT OF ACCOUNTS AND CERTIFIED ACCOUNTS

The external auditors, Audit Scotland, have completed their audit of the Council's Accounts for the year to 31 March 2006.

Decision

It was agreed:

1. The Certified Accounts and the terms of the Audit Certificate and report to Members are noted.
2. To refer to the Audit Committee monitoring of the external auditors recommendations contained in the action plan.

(Reference: Report by Head of Strategic Finance dated 1 November 2006, submitted).

11. RISK MANAGEMENT - THE CURRENT POSITION

Risk management is a relatively new requirement which has been placed on Councils. Audit Scotland in its Annual Accounts - Report to Members 2005/06 stated, "the council needs to further embed its risk management approach". The Council Constitution details the Audit Committee as responsible for scrutinising risk management aspects of the Council's business. With regard to the above the Audit Chairman has requested that a report be prepared for the Audit Committee, detailing the current status of risk management within the council. As part of the 2006/07 audit programme Internal Audit has carried out an audit of Risk Management.

Decision

It was agreed:

1. To note the contents of the report
2. To instruct Internal Audit to follow up the contents of the report

(Reference: Report by Internal Audit Manager dated 10 November 2006, submitted).

12. LEGAL AND PROTECTIVE SERVICE PERFORMANCE - UPDATE

At their last meeting, the Audit Committee considered a report from the Head of Legal and Protective Services which outlined a number of issues which had impacted on the delivery of services. The Committee considered a further report from the Head of Legal and Protective Services.

Decision

It was agreed:

1. To note the contents of the report
2. To request that a further report, providing a breakdown of the types of licence applications processed, be submitted to the next meeting of the Audit Committee.

(Reference: Report by Head of Legal and Protective Services, tabled).

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

13. BEST VALUE REPORTING PROCESS

In February 2006 Audit Scotland issued a report entitled “The Audit of Best Value and Community Planning”. The report and findings related to the performance of Argyll and Bute Council’s statutory duties to secure Best Value. The report recognised the effectiveness of the Audit Committee but requested its role could be further developed to provide challenge on the findings and methodology of Best Value Service Reviews. On the 21st of September 2006 the Audit Committee accepted a reporting process agreed with Audit Scotland and agreed that they commence receiving service review updates on the 8th of December 2006, and thereafter on a quarterly basis.

Decision

It was agreed to monitor progress on this item with an updated report requested for the next meeting of the Audit Committee

(Reference: Report by Internal Audit Manager dated 10 November 2006, submitted).

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ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE
30 MARCH 2007**

ADAPTING TO THE FUTURE

1. INTRODUCTION

1.1 Audit Scotland's report Adapting to the Future issued during August 2004 resulted in 22 recommendations being made subject to the following headings:

- Person Centred Services;
- How are services organised;
- Planning and performance monitoring; and
- Managing risks.

1.2 These recommendations are being progressed in partnership with the NHS, now NHS Highland, via the Joint Implementation Group (JIG) and thereafter to the Joint Health and Care Partnership. It should be noted that a full review of service delivery by AGE Ltd was commissioned by the JIG during October 2005 in order to progress the agenda. The initial draft of the report was presented to the JIG on 27th April 2006.

2. SUMMARY OF THE AGE LTD REPORT**2.1 General**

- On reviewing the current situation in Argyll & Bute it was noted that there is a lack of cohesion and integration with the NHS in purchasing, providing and maintaining equipment and adaptations
- A high proportion of professional Occupational Therapy time is taken up with the delivery and maintenance of equipment as against focussing time on assessment and clinical support to clients for which they are primarily trained.
- The review found that in certain circumstances clients could wait 12 months or more for basic equipment.

- The review established that equipment procurement, storage, maintenance, cleaning and re-cycling being generally undertaken locally are tying up professional staff time inappropriately. The exception to this being the Oban area where there has been an investment in storage, maintenance, cleaning and delivery using resource release revenue provided by the NHS following a local ward closure.
- The AGE Ltd report notes that a revenue purchase figure of approximately £400k would be appropriate as against the £91,363 available during 2005/06.
- The financial position noted is further compounded by the lack of a coordinated approach to procurement, cleaning, maintenance and re-cycling.

2.2 AGE LTD OUTLINE OPTIONS FOR THE FUTURE

2.2.1 The Argyll & Bute partnership of the Council and NHS are encouraged to develop and commission services and enhance the economies of scale by planning strategically across the area as against the local practice, which presently exists.

2.2.2 Proposed that a “Hub & Spoke” model be adopted for equipment and adaptations across the whole area. Core elements such as procurement, central I.T support, main storage, distribution and supply, cleaning and maintenance are provided at the hub. This would serve the local spokes, which will provide local storage only to serve the immediate requirements of clients and staff.

2.2.3 The development of a “Hub & Spoke” model would require a major investment both centrally and locally in storage space, cleaning equipment, maintenance and re-cycling, transport and non-qualified staff to support the professional Occupational Therapists in managing the service.

3. AREAS OF PROGRESS:

3.1 The Health and Care Partnership have made a successful bid to the Scottish Executive’s “Essential Connections Programme” with an allocation of £35,488 having been secured with the Partnership providing match funding. Part of this funding will be used to employ a Project Manager for a one- year period to progress the implementation of the AGE Ltd Report.

- 3.2 Cleaning equipment is in place in Oban and operated with a technician and assistant. Proposal is to maximize the use of this facility by increasing the staff levels by an additional technician assistant and increase the transport budget in order that other areas of the council can be served. Initially the expansion will cover the Mid Argyll & Kintyre area while the practicalities and cost effectiveness of expanding to the Bute & Cowal and Helensburgh & Lomond areas are considered. The provision of an adequate cleaning process allows for the maximum use of equipment returned and reduces the dependency on new equipment accordingly.
- 3.3 The provision of appropriate storage facilities with technician support has been progressed in Oban, Mid Argyll, Kintyre and Cowal. These developments have been progressed in partnership with the NHS and provide equipment storage facilities for both organisations with funding made available from a combination of council, NHS and resource release funds. A similar proposal is to be found within the service plan for the resource released from the proposed closure of the Jeannie Deans unit in Helensburgh.
- 3.4 There has been considerable investment in the provision of aids and adaptations as part of the strategy managing the delayed discharge agenda both in terms of providing services to prevent hospital admission and accelerating discharge from hospital to home. This has been funded via resource release revenue from the closure of NHS continuing care beds and the delayed discharge budget allocated by the Scottish Executive.

4. CONCLUSION

Although there has been progress in the areas of cleaning, storage and the provision of equipment, this has been progressed on a rather ad hoc and local basis as opportunities arise. The recruitment of the Project Manager will provide the opportunity to review resources and systems strategically in order that the recommendations of the AGE report can be achieved in full for all areas of the council.

The management and funding of the service is continuing to develop with the Strategic Partnership making a commitment that the Occupational Therapy services will be managed within the NHS and serve the partnership appropriately. The funding of the service will continue to be sourced from the variety of budgets noted while it the Social Work review has committed the council to further expenditure on older person's services during the next 2-5 years of which the provision of Occupational Therapy equipment is one.

James D M Robb

Head of Service, Adult Care

6th March 2007

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Argyll and Bute Council

Audit Plan 2006-07

22 January 2007

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1 Introduction

RSM Robson Rhodes has been appointed by the Accounts Commission for Scotland as the external auditor of Argyll and Bute Council (the Council) for the five year period commencing 2006-07. This Plan outlines how we will approach the audit of the Council in the first year of our appointment, and reflects our statutory duties and risk based approach.

Specific duties for external auditors are contained principally in the Local Government (Scotland) Act 1973, the Code of Audit Practice (the Code) and in the audit engagement letter issued to auditors by Audit Scotland. These include undertaking the audit in accordance with relevant legislation and Statements of Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board.

In accordance with the Code we have the following audit objectives:

Exhibit 1: Audit Objectives

Area	Audit Objectives
Financial statements	To provide an opinion on the Council's financial statements for the year ending 31 March 2007. Further details are provided in section 2.
Governance	To review and report on the Council's corporate governance arrangements, including: systems of internal control, arrangements for the prevention and detection of fraud and corruption, standards of conduct and the Council's financial position. Further details are provided in section 3.
Performance	To review and report on the Council's arrangements to achieve Best Value, other aspects of arrangements to manage performance as they relate to economy, efficiency and effectiveness in the use of resources and arrangements for preparing and publishing statutory performance indicators. Auditors' responsibilities in relation to Best Value are primarily discharged by Audit Scotland. Further details are provided in section 4.
Grant Claims	To provide an independent auditor's report on specified grant claims in accordance with Audit Scotland guidelines. Further details are provided in section 5.

In planning and carrying out the audit we will have due regard to the Statement of Responsibilities, issued by Audit Scotland, which sets out the respective roles and responsibilities of the Council and its auditors.

The Code requires us to take a risk based approach and our risk assessment, together with planned audit outputs, in relation to each of the above areas is summarised in the following sections of this plan. We will keep our initial risk assessments under review and discuss any significant changes to the nature and scope of our audit with you.

We set out in Section 6 details of our audit team and our proposed fee, based on our responsibilities and risk assessment. A summary of planned audit outputs and reports for the 2006-07 audit is contained at Appendix A.

2 Financial Statements

Introduction

The Council's financial statements are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintain proper accounting records; and
- prepare financial statements which present fairly the financial position of the Council and its expenditure and income in accordance with the Statement of Recommended of Practice (SORP).

The auditor is required to audit the financial statements and to give an opinion as to:

- whether they present fairly the financial position of the Council and its expenditure and income for the period in question;
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
- whether the Statement on Internal Financial Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.

Overall Approach

In order to gain sufficient assurance to support our opinion on the financial statements, we will carry out a review of:

- the Council's arrangements for the preparation of its financial statements and for the Whole of Government Accounts consolidation pack;
- internal audit, to determine the extent of reliance we can place on it for the purposes of our audit (Appendix B summarises the areas of internal audit work we plan to place reliance on);
- the internal control framework for key financial systems;
- the materiality of balances and transactions impacting on the financial statements; and
- the key risks relevant to the preparation and audit of the financial statements.

Risk Assessment and Audit Response

Our audit work is risk based and proportionate. On the basis of our preliminary work to date, we have identified the following audit risks in relation to the financial statements aspect of our audit:

Exhibit 2: Financial Statements Audit Risk Assessment

Key risk area	Our response
<p>Statement of Recommended Practice (SORP)</p> <p>The 2006 SORP introduces a number of significant changes to the presentation of the Council's 2006-07 financial statements.</p> <p>It will be important that the Council adopts arrangements to comply with the SORP at an early stage in the financial year to avoid any risk of material misstatement or failure to achieve publication deadlines.</p>	<p>We will discuss the implications of the SORP changes to the presentation of the 2006-07 financial statements at an early stage in the audit process and facilitate a joint Council/RSM workshop on 2006-07 closedown and audit.</p>
<p>Specific Accounting Issues</p> <p>The following specific accounting issues were identified at the conclusion of the 2005-06 audit:</p> <ul style="list-style-type: none"> • accounting treatment for un-amortised premiums arising from debt restructuring and the use of LOBOs; • accounting treatment for unspent grants at the financial year end; • extension of the Statement on Internal Financial Control to cover group accounts; and • arrangements for the revaluation of assets subject to significant enhancement expenditure. 	<p>We will meet with the Finance Team early in the audit year to identify the Council's proposals for addressing these issues in the 2006-07 financial statements.</p>
<p>Trading operations</p> <p>The auditor's opinion on the Council's 2005-06 accounts included an explanatory paragraph in relation to failure of trading operations to meet the statutory target to break even over a three year period. We understand that the Council intend to undertake a review of its trading operations in the near future.</p>	<p>We will review the financial management and planning arrangements for trading operations and assess performance in meeting the statutory break-even target as part of our financial statements audit.</p>
<p>Housing Stock Transfer</p> <p>The Council transferred its housing stock to Argyll Community Housing Association (ACHA) in November 2006. As part of the transfer arrangement, PWLB debt linked to the Housing Revenue Account has been redeemed. The Council also received funding (in the form of additional PWLB debt redemption) to cover the premiums associated debt rescheduling in prior years.</p> <p>The accounting treatment to write out the premiums on early debt redemption from the accounts is complex and has yet to be resolved.</p>	<p>We will rely on the work of the Council's previous auditors to confirm the value of loan debt to be written off following the stock transfer.</p> <p>We will review the Council's proposed accounting treatment for the housing stock transfer, in particular the writing out of premiums associated with the early redemption of debt.</p>

Key risk area	Our response
<p>Single Status</p> <p>The Council continues to work towards implementation of the single status agreement. The pay and grading group have recommended a preferred pay and grading model. Once agreed, it is planned that this will form the basis for formal consultation with unions and employees.</p> <p>Until a local agreement is concluded the initial and continuing costs of single status cannot be reliably estimated. This represents a significant financial risk to the Council.</p>	<p>We will monitor events in relation to the implementation of the single status agreement and review the adequacy of the Council's provision for these costs as part of our financial statements audit.</p>
<p>Equal Pay</p> <p>The Council has completed a fundamental review of its 'equal pay' liabilities and set aside £4.128 million to meet the total one-off cost of these payments.</p> <p>The Council has sought to limit exposure to the financial risk associated with equal pay claims by offering equal pay compensation payments to specific groups of employees. While this will help to reduce financial risk in this area, significant risks remain.</p>	<p>We will monitor events in relation to the settlement of equal pay claims and review the adequacy of the Council's provision for these costs as part of our financial statements audit.</p>

Audit Timetable and Planned Audit Outputs

The planned outputs from our financial statements audit, and the proposed dates for the fieldwork, are summarised in Exhibit 3 below:

Exhibit 3: Audit Timetable and Planned Outputs

Audit Output – Financial Statements	Fieldwork	Target Delivery Date (Final Report)
Controls Assurance Report – Central Financial Systems	February – May 2007	30 June 2007
Accounts Report (ISA 260)	July – September 2007	30 September 2007

3 Governance

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. The Council is responsible for putting in place arrangements for the conduct of its affairs, including compliance with applicable guidance, ensuring the legality of activities and transactions and monitoring the adequacy and effectiveness of these arrangements in practice. The Council's Audit Committee should have a role in monitoring these arrangements.

Commensurate with the wider scope of a public sector audit, the Code gives the auditor a responsibility to review and, where appropriate, report findings on the Council's corporate governance arrangements as they relate to:

- the Council's review of its systems of internal control, including its reporting arrangements;
- the prevention and detection of fraud and irregularity;
- standards of conduct, and arrangements in relation to the prevention and detection of corruption; and
- the financial position of the Council.

Overall Approach

We will assess the adequacy of the Council's governance arrangements by:

- reviewing the Council's overall arrangements in relation to each of the above areas;
- reviewing the extent of compliance with the 'Code of Practice for Internal Audit in Local Government'; and
- evaluating the Council's approach to risk management, including arrangements to address the key risks identified in this section of the audit plan.

Risk Assessment and Audit Response

On the basis of our preliminary work to date, we have identified the following audit risks in relation to the governance aspect of our audit:

Exhibit 4: Governance Audit Risk Assessment

Key risk area	Our response
<p>Corporate Planning</p> <p>The new corporate plan was agreed by the Council in August 2006 and covers the 2006/07 financial year and the budget setting process for 2007/08. The timeframe for the new Plan is shorter than may normally be expected because of the 2007 elections and there is, therefore, some risk to achievement.</p>	<p>We will assess the Council's progress in meeting its corporate plan objectives as part of our overview of governance arrangements.</p>
<p>Community Planning Partnerships</p> <p>Partnership working arrangements can be complex and present significant challenges for effective governance, workforce management, joint planning and financial management. Councils need to be able to demonstrate the benefits of partnership working through improvements in services.</p>	<p>We will evaluate the adequacy of the Council's arrangements for partnership working as part of our overview of governance arrangements.</p> <p>We will assess how the Council is taking forward the recommendations made in Audit Scotland's national report on community planning.</p>
<p>Political Governance</p> <p>The forthcoming elections have the potential to result in significant changes to council membership, including a number of new members and more hung councils. The creation of multi-member wards in particular has the potential to require new ways of working that will support efficient representation and sharing of workload within each ward.</p>	<p>We will assess the progress made by the Council in planning to meet the requirements the Local Governance (Scotland) Act 2004.</p>
<p>Risk Management</p> <p>The Council has made progress in developing a risk management strategy and risk management group but has further work to do in developing and embedding risk management within the organisation.</p>	<p>We will review the Council's progress in developing and embedding strategic and corporate risk management as part of our overview of governance arrangements.</p>
<p>Financial Management and Budgetary Control</p> <p>The revenue position for the Council, at 31 March 2006, was £3.323 million worse off than had been planned, mainly as a result of recognising equal pay costs.</p> <p>For 2007/08, reductions in budgeted expenditure in a range of £10.251 million to £11.347 million have been identified as necessary, based on council tax increases of between 5% and 2.5% respectively. These reductions are broadly equivalent to 5% of the Council's current budget and represent a significant challenge.</p>	<p>We will assess the adequacy of the Council's financial management and budgetary control arrangements as part of our overview of governance arrangements.</p>

Key risk area	Our response
<p>Internal Audit</p> <p>The Council's internal audit section is a key part of the Council's governance arrangements. If internal audit is to be effective, it must be independent, properly resourced and comply with relevant best practice in planning and undertaking its work.</p>	<p>We will assess the extent of internal audit's compliance with best practice in planning and undertaking its work.</p>
<p>Housing Stock Transfer</p> <p>The Council successfully transferred its housing stock to Argyll Community Housing Association (ACHA) on 21 November 2006. The Council retains overall strategic management responsibility for housing provision in its area and effective liaison arrangements with the new housing provider will be essential to the delivery of good quality housing services to tenants.</p>	<p>We will assess the adequacy of the Council's arrangements for achieving strategic oversight over housing issues in its area as part of our overview of corporate governance arrangements.</p>
<p>Asset Management</p> <p>Developing modern infrastructure is essential for supporting the delivery of improved services. The Council needs to further develop its asset management process to ensure that all assets are used effectively and efficiently to deliver services in line with the Council's priorities.</p>	<p>We will assess the effectiveness of the Council's asset management arrangements as part of our overview of governance arrangements.</p>
<p>Schools NPDO</p> <p>The Council has developed a pathfinder non-profit distributing organisation (NPDO) approach for the improvement of the school estate. Construction has started and the Council currently expects hand-over to be according to the target dates, without additional costs.</p> <p>The project requires a significant financial commitment from the Council over the life of the contract and will continue to attract significant monitoring resource from a senior level to ensure progress continues apace.</p>	<p>We will assess the Council's contract monitoring arrangements for the NPDO Schools contract as part of our overview of governance arrangements.</p> <p>We will review the balance sheet treatment of the schools asset as part of our audit of the Council's financial statements at key stages of the Project in accordance with Audit Scotland guidance.</p>
<p>Free Personal Care</p> <p>The Council operates a 'waiting list' for 'free personal care' as funding from the Scottish Executive has not fully met the demand for these services.</p> <p>In December 2006, the Scottish Public Services Ombudsman (SPSO) upheld a complaint from a member of the public that the Council had not provided funding for the complainant's personal care needs in line with statutory requirements. This ruling could require the Council to end its 'waiting list' policy and fully fund all FPC claims. The outcome represents a significant financial risk. The Council has recently taken the SPSO ruling to judicial review.</p>	<p>We will monitor the Council's response to the SPSO's findings during the financial year.</p>

Key risk area	Our response
<p>National Fraud Initiative</p> <p>There is scope to better utilise the information emerging from the National Fraud Initiative (NFI) on an ongoing basis to assist in the detection of fraud.</p>	<p>We will review the use made by the Council of the output of the NFI exercise including benefits, payroll and other data.</p>

Audit Timetable and Planned Audit Outputs

The planned outputs from our governance audit, and the proposed dates for the fieldwork, are summarised in Exhibit 5 below:

Exhibit 5: Audit Timetable and Planned Outputs

Audit Output – Governance Audit	Fieldwork	Target Delivery Date (Final Report)
Overview of Governance arrangements (to include outputs from review of risk areas outlined above)	February – May 2007	30 June 2007
Review of Internal Audit	February 2007	30 April 2007
Fraud Returns to Audit Scotland	Ongoing	30 June 2007

4 Performance

Introduction

The Local Government in Scotland Act 2003 introduced statutory duties relating to Best Value and Community Planning. The scope of Best Value and Community Planning is very broad but in general terms a successful council will:

- work with its partners to identify a clear set of priorities that respond to the needs of the community in both the short and the longer term;
- be organised to deliver those priorities;
- meet and clearly demonstrate that it is meeting the community's needs; and
- operate in a way that drives continuous improvement in all its activities.

It is the responsibility of the audited body to ensure that these matters are accorded the appropriate priority and resources, and that proper procedures are established and operate satisfactorily. Achievement of value for money by the Council depends on the existence of sound management arrangements in relation to its services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources.

The wider dimension of public sector audit requires that the audit process give consideration to the way in which the Council secures economy, efficiency and effectiveness in the use of its resources.

Audit Approach

We will assess the adequacy of the Council's arrangements for performance management and the achievement of Best Value by:

- working with Audit Scotland, to follow up the Council's progress in addressing the key findings emerging from the recent Best Value report;
- reviewing the Council's arrangements for identifying, measuring and reporting efficiency savings under the efficient government agenda;
- assessing the Council's progress in implementing an effective performance management system; and
- evaluating the effectiveness of management arrangements for reporting performance through statutory performance indicators. We will place reliance on internal audit to confirm the accuracy of data reported.

Risk Assessment and Audit Response

On the basis of our preliminary work to date, we have identified the following audit risks in relation to the governance aspect of our audit:

Exhibit 6: Performance Audit Risk Assessment

Key risk area	Our response
<p>Best Value</p> <p>Following a recent Best Value review of the Council's services, the Accounts Commission made a number of recommendations necessary for the development of a culture of continuous improvement.</p> <p>In response, the Council has prepared a 'best value improvement and development plan'. The Council is 'on track' to meet this Plan and recently reported five actions as complete, 59 actions progressing as planned, 13 actions as delayed but with plans in place to progress them and no actions are delayed and not rescheduled.</p> <p>The successful implementation of the Plan, however, remains a significant corporate challenge for the Council.</p>	<p>We will assess the Council's progress in addressing the key issues raised in the Accounts Commission's Report and in meeting its 'best value improvement and development plan' as part of our audit.</p> <p>We will discuss and agree the detailed focus of our work with the Council and Audit Scotland.</p>
<p>Performance Management and Reporting</p> <p>Work is continuing on the introduction of a more systematic performance management system, with key performance indicators being developed within each service.</p> <p>The absence of performance targets and indicators directly linked to the objectives and priorities in the corporate plan make it difficult to assess whether the resources of the Council are being used most effectively to address the corporate priorities.</p>	<p>We will assess the Council's progress in implementing a performance management system as part of our review of the Council's response to the recent Best Value report.</p> <p>We will discuss and agree the detailed focus of our work with the Council at an early stage in the planning process.</p>
<p>Efficient Government</p> <p>The Council continues to face significant challenges in refocusing its resources on service delivery. Good progress has been made in a number of areas, however, significant effort will be required to deliver the level of efficiencies required while continuing to improve performance.</p>	<p>We will review the Council's arrangements for identifying, measuring and reporting efficiency savings under the efficient government agenda.</p>

Audit Timetable and Planned Audit Outputs

The planned outputs from our performance audit, and the proposed dates for the fieldwork, are summarised in Exhibit 7 below:

Exhibit 7: Audit Timetable and Planned Outputs

Audit Output – Performance Audit	Fieldwork	Target Delivery Date (Final Report)
Performance Audit Report to include: <ul style="list-style-type: none"> • follow up review of the Council's progress in meeting its 'best value improvement and development plan', including progress in implementing a performance management system; and • an assessment of arrangements to measure, monitor and report efficiency savings. 	April – June 2007	30 June 2007
Statutory Performance Indicators – Audit Scotland Return	August – September 2007	30 September 2007

5 Grant Claims

Introduction

We will audit the grant claims notified to us by the Council at the start of the audit, and authorised for audit by Audit Scotland, which are:

- housing and council tax benefits;
- supporting people;
- education maintenance allowances;
- non-domestic rates;
- European regional development fund (ERDF); and
- European structural fund (ESF).

Overall Approach

Audit Scotland issue guidance to auditors on the audit of grant claims authorised for audit in agreement with the Scottish Executive. Audit Scotland's guidance determines the extent of audit testing required for each specific grant claim.

In order to gain sufficient assurance to support our opinion on each grant claim, we are required to carry out reviews of:

- the Council's arrangements for the preparation of each claim submitted for audit;
- internal audit to determine the extent of reliance we can place on it for the purposes of our audit (Appendix B summarises the areas of internal audit work we plan to rely on);
- the effectiveness of the internal control framework for key financial systems relevant to each grant claim;
- the materiality of balances and transactions impacting on each grant claim; and
- the key risks relevant to the preparation and audit of each grant claim.

The Council is not yet in a position to estimate the number of ERDF and ESF grant claims we can expect to receive for audit or the timeframe for submission of these claims. For the purposes of determining our 2006-07 audit plan, therefore, we have assumed that we will receive no more than two ERDF or ESF grant claims in total during the year.

Additional grant claims submitted for audit not listed above will be audited in agreement with Audit Scotland and subject to additional fee arrangements in negotiation with the Council.

Exhibit 8 below lists the claims we expect to receive for audit, the deadlines for submission to external audit and the certification deadline.

Exhibit 8: Grant Claims due for Audit

Grant Claims	Submission to External Audit Deadline	Certification Deadline
Housing and Council Tax Benefits	30 September 2007	31 December 2007
Supporting People	30 June 2007	30 September 2007
Education Maintenance Allowances	30 June 2007	30 September 2007
Non-domestic Rates	30 September 2007	31 December 2007
ERDF	Tbc	Tbc
ESF	Tbc	Tbc

6 Audit Team and Fees

The Audit Team

Exhibit 9: Key Members of the Audit Team

Role	Experience
<p>Sarah Howard Engagement Partner</p> <p>Overall responsibility for delivery of the audit, liaison with management and the audit committee.</p>	<p>Sarah has over 20 years public sector external audit experience and leads the firm's northern government audit practice. Sarah is the appointed auditor to a number of local authorities and is responsible for the firm's government audit approach, training and quality control.</p>
<p>Gary Devlin Client Service Manager</p> <p>Responsible for day to day management of the audit, liaison with management and the audit committee.</p>	<p>Gary has over 16 years public sector external audit experience covering local government, central government and health sectors. Gary recently joined RSM Robson Rhodes from Audit Scotland where he had responsibility for managing the audit of Scottish Executive and Audit Scotland's review of the Efficient Government Initiative.</p>
<p>Stephen Vallely Lead Auditor</p> <p>Responsible for managing the onsite fieldwork during the interim and final audits.</p>	<p>Stephen has over 4 years public sector external audit experience with a big four firm in Glasgow. He has been involved in the audits of several local authorities and central government bodies.</p>

We are not aware of any relationships that may bear on the independence and objectivity of the team which are required to be disclosed under Auditing Standards.

The core audit team will call on other specialist and support staff, as necessary, during the course of the audit.

If at any time you wish to discuss how our services may be improved or if you are in any way dissatisfied with the audit service you are receiving please contact Sarah Howard or Richard Tremeer, our National Head of Government Audit Services.

The Audit Fee

Our audit fee is calculated in accordance with the guidance issued by Audit Scotland for determining the fee level for local government bodies. The fee is based on our professional assessment of the level of audit risk associated with a particular body. Audit Scotland requires that the agreed fee for the audit is set within the limits of the indicative fee range. Placement within the range depends on the level of work we consider necessary to perform the audit and is influenced by the number and level of risks facing the Council. In addition to the fee for the audit, Audit Scotland charges a fixed central overhead fee to meet its central running costs.

Our 2006-07 audit fee has been set above the indicative fee level, and within Audit Scotland's proposed range, largely to take account of the extra planning work required in the first year of a new audit appointment, and also recognising the additional audit requirements emerging from the introduction of the 2006 SORP and the introduction of ISA 230 (Audit Documentation). The fee includes:

- all of the work and outputs described in this plan;
- attendance at audit committees and other meetings;
- access to advice and information on relevant audit issues;
- access to workshops/seminars on topical issues; and
- all travel and subsistence costs.

The table below shows the proposed audit fee, plus Audit Scotland's fixed charge for the year ending 31 March 2007.

Exhibit 10: Proposed Fee

Area	2006-07
Indicative fee	£184,800
Maximum fee	£203,280
Proposed RSM Robson Rhodes fee	£199,500
Audit Scotland fixed charge	£ 86,300
Total	£ 285,800

Audit fees are inclusive of VAT

Our fee is based on a number of assumptions, in particular:

- an effective and smooth closedown and audit of the accounts, in accordance with an agreed timetable, together with availability of working papers at the commencement of the audit in accordance with our client working paper request list;
- the completion by internal audit of reviews of the areas set out in Appendix B.

Where we are required to undertake additional work not outlined in this plan, including, for example, challenge work, PFI opinions, any work directed by Audit Scotland, and grant claims not listed in Section 5, we will agree an additional fee with the Council in advance.

Appendix A – Summary of Planned Audit Reports and Outputs 2006-07

Audit Area	Target Delivery Date (Final Report)
Financial Statements Audit Controls Assurance – Central Financial Systems Accounts Report (ISA 260)	30 June 2007 30 September 2007
Governance Audit Annual report to Members and the Accounts Commission Overview of Governance arrangements Internal Audit Review	30 September 2007 30 June 2007 30 April 2007
Performance Audit Best Value – follow up review Statutory Performance Indicators – Audit Scotland Return	30 June 2007 30 September 2007
Grant Claims Audit Housing and Council Tax Benefits Supporting People Education Maintenance Allowances Non-domestic Rates ERDF ESF	31 December 2007 30 September 2007 30 September 2007 31 December 2007 Tbc Tbc

Status of our Reports to the Council

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland. Reports are addressed to Members or officers and are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Appendix B – Reliance on Internal Audit

Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process, we carry out an annual assessment of the internal audit function.

The Council operates with a small internal audit section and has appointed KPMG to provide additional support on a contract basis. We will review the work of internal audit to determine the extent of reliance we can place on it for the purposes of our audit. This avoids unnecessary duplication of audit work, and minimises any disruption to the Council caused by the audit process.

Based on a review of the internal audit plan for 2006-07, we will plan to place reliance on the work of internal audit in the following areas:

- Payroll
- Housing and Council Tax Benefits
- Creditor Payments
- Accounts Payable
- Procurement
- Stocktaking
- Cash Income and Banking
- Government and European Grants
- Contract Hire and Operating Leases
- Tendering Procedures
- Treasury Management
- Fixed Asset Management
- Corporate Services – ICT Applications
- Statutory Performance Indicators.

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**ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE****AUDIT COMMITTEE
30 MARCH 2007**

ANNUAL ACCOUNTS 2006/07

1 INTRODUCTION

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2007 and the preparation of the Council's annual accounts for 2006/07.

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 27 June 2007 (provisional date) in line with the Scottish Executive's 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 in detailed and includes the following milestones:
- Capital expenditure, capital charges and treasury management revenue accounts completed by 27 April.
 - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 27 April.
 - Council Tax and NDR entries completed by 31 May.
 - Review and adjustments to ledger and central departmental cost allocations completed by 18 May.
 - Preparation of draft annual accounts including report by Head of Strategic Finance by 15 June.
 - Draft annual accounts considered by a meeting of the Full Council on 27 June (provisional date).

- 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 accounts documentation of a standard to enable completion of the audit by the required deadline of 30 September 2007.
- 3.5 From 2007/08 all councils are required to prepare group accounts. Argyll and Bute Council opted for the transitional arrangements for the 2006/07 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 2006/2007. A separate group of 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 27 June (provisional date).
- 3.6 Copies of both sets of instructions/timetables are available from Head of Strategic Finance if required.

Bruce West
Head of Strategic Finance
14 March 2006
Reports/auditcomm30marchbw

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
30 MARCH 2007

INTERNAL AUDIT'S ROLE IN BEST VALUE

1. SUMMARY

Set out below is a report to the Audit Committee containing views about the role internal audit can play in relation to the Council's duty of Best Value and Community Planning. The report was prepared at the request of Internal Audit and through discussion and co-operation.

2. RECOMMENDATIONS

2.1 Internal Audit should discuss the ideas contained in this paper with Senior Management Team (SMT), external audit and the manager responsible for progressing Best Value within the Council. Thereafter, Internal Audit should agree a process outline for approval by the Audit Committee as to how the skills of the audit team will be used to assist the Council with its duty of Best Value.

3. DETAILS

3.1 The Local Government in Scotland Act 2003 imposes a statutory duty of each Scottish local authority to deliver Best Value. It suggests that a successful council will:

- work with its partners to identify a clear set of priorities that respond to the needs of the community in both the short and longer term;
- be organised to deliver those priorities;
- meet and clearly demonstrate that it is meeting the community's needs; and
- operate in a way that drives continuous improvement in all its activities.

A Best Value and Community Planning report published by Audit Scotland in February 2006 concluded that Argyll and Bute Council had made limited progress in establishing Best Value and urged that efforts be made to make up for lost time. In order to be consistent with the principles of Best Value, the Council will need to make best use of its resources. Because of the overlap in responsibilities and knowledge between the areas of internal audit and Best Value, the internal audit function can assist the Council meet this challenge. Argyll and Bute internal audit has allocated 125 days in the 2007-2008 plan to Best Value.

3.2 Internal audit currently provides council management with assurance on internal control systems put in place to secure:

- overall management and financial probity;
- compliance with statutory requirements;
- the reliability of performance information; and

- the effective use of resources.

These elements will be fundamental to the council's approach to Best Value. Hence Best Value will impact directly on the remit of the internal audit function. This paper suggests the role of the internal audit function at Argyll and Bute Council in relation to the Best Value agenda.

3.3 Guidance was issued by the Best Value Task Force in pursuance of the Local Government in Scotland Act 2003 and provided characteristics of Best Value arrangements where local authorities in Scotland should be able to demonstrate compliance. These were:

1. Commitment and leadership

- a commitment to delivering better public services year on year through Best Value, and acceptance of the key principles of accountability, ownership, continuous improvement and transparency;
- elected members and senior managers have developed a vision of how Best Value will contribute to the corporate goals of the authority which informs the direction of services and is communicated effectively to staff;
- a commitment to high standards of probity and propriety, to honour the trust given by the electorate.

2. Responsiveness and consultation

- responsiveness to the needs of its communities, citizens, customers, employees and other stakeholders, so that plans, priorities, and actions are informed by an understanding of those needs;
- an ongoing dialogue with other public sector partners and the local business, voluntary and community sectors; and
- consultation arrangements which are open, fair and inclusive.

3. Sound governance at a strategic, financial and operational level

- a framework for planning and budgeting that includes detailed and realistic plans linked to available resources, to achieve the authority's goals (including community planning commitments) at service delivery level
- effective performance management systems, which include the use of external comparison, through which performance issues can be identified, monitored and addressed.

4. Sound management of resources

- Making the best use of public resources, including employees, contractual agreements, ICT and other systems, land and property, and financial resources – keeping a considered and appropriate balance between cost, quality and price.

5. Use of review and options appraisal

- an approach to review that is rigorous and robust with no areas of work protected from consideration for review;
- review activity achieves quantifiable benefits for key stakeholders accepting that change may be necessary;
- services are expected to remain competitive and to provide

consistently good service quality. In considering opportunities for improvement a fair and open approach will be taken in evaluating forms of service delivery from whatever the sector.

6. A contribution to sustainable development

- Contribution to the achievement of sustainable development – consideration of the social, economic and environmental impacts of activities and decisions both in the shorter and longer term.

7. Equal Opportunities Arrangements

- A culture which encourages both equal opportunities and the observance of the equal opportunities requirements
- Measures are in place to meet the UK-wide equal opportunities requirements e.g.
 - Equal Pay Act 1970
 - Sex Discrimination Act 1975
 - Race Relations Act 1976 as amended by the Race Relations (Amendments) Act 2000
 - Disability Discrimination Act 1995

And all relevant subordinate legislation made under such Acts.

- adoption of the meaning of “equal opportunities” as is set out in Schedule 5 to the Scotland Act 1998, namely, “the prevention, elimination or regulation of discrimination between persons on the grounds of sex or marital status, on racial grounds or on grounds of disability, age, sexual orientation, language or social origin or of other personal attributes, including beliefs or opinions, such as religious beliefs or political beliefs.

8. Joint Working

- a culture which encourages joint working and service delivery where this will contribute to better services and customer-focused outcomes.

9. Accountability

The use of public performance reporting so that stakeholders are told what quality of service is being delivered and what they can expect in the future.

3.4 It can be seen that these characteristics have considerable overlap with the focus of internal audit attention. Accordingly, members of the internal audit team have skills and knowledge which would assist the Council with its approach to Best Value. The potential role for internal audit in the Best Value framework and Argyll and Bute’s own self-assessment process may be considered under 3 headings :

- those tasks that internal audit *should do* in order for it to be able to fulfil its core role;
- those that internal audit *should not* become involved with because they lie outside its competence or remit; and
- those to which internal audit *could* contribute but which may be carried out by

others.

3.5 What internal audit should do

The role of internal audit has traditionally been to provide independent assurance on the adequacy and effectiveness of systems of internal control that are designed to promote the effective use of resources. In recent years, the role has developed to embrace assurance about the management of business risks (financial and operational), corporate governance and the entire risk and internal control framework.

In order to provide objective assurance in relation to Best Value, internal audit should, as a minimum:

- provide assurance that the authority has put adequate arrangements in place for self-assessment and that the corporate framework is being followed (for example, that there are systems to monitor the implementation of action plans from Best Value Reviews (BVR), that those actions identified for improvement are being implemented and that there are robust systems in place to generate performance indicators);
- Provide assurance that the authority has in place adequate arrangements in place for ensuring that Council funds allocated to partner organisations are used for their proper purpose and deliver Best Value;
- ensure that the BVR programme is taken into account in risk-based audit planning, in terms both of its effect on the internal control environment and the timing of audit work; and
- ensure that it has a detailed understanding of the requirements of Best Value, that it keeps abreast of developments in best value, and that it appreciates how the authority is implementing Best Value.

3.6 What internal audit should not do

Although successful implementation of Best Value will require Argyll and Bute to make the maximum use of all their internal resources, internal audit should ensure that it does not become involved in day to day decision-making or in carrying out executive functions in relation to Best Value. Internal audit must avoid losing its ability to provide independent assurance.

It is not possible to be prescriptive about all the types of work that might compromise internal audit's independence. Some examples might be:

- making or leading on decisions about corporate review or service selection;
- becoming a part of the process for managing and delivering the corporate Best Value framework;
- producing or collecting performance data, or setting targets;
- leading on BVRs; and
- being a key part of the process for implementing BVRs.

Internal auditors should always be clear about the distinction between advising on and supporting corporate developments and processes, and being an integral part

of them. They may from time to time, because of their professional expertise, knowledge and position in the council, be invited to do work outside their usual internal audit remit. They may be able to make a potentially valuable contribution in this way, but such work should be clearly recognised in some form of protocol or memorandum of understanding as being quite distinct from the assurance role of internal audit.

3.7 What internal audit could do

There are several areas where internal audit are in a position to offer help in relation to Best Value which goes beyond their core role as outlined at paragraph 3.4. This is based on their knowledge of the council and comes from their work across all functions and at all levels of the Council. Areas where Internal Audit could be involved with the Council's approach to Best Value they are:

- High-level assistance by Internal Audit in developing guidance and acting as a challenger on review panels – this role is separate from the internal audit function;
- Use of audit skills to ensure that BVRs are robust and have a sound base of evidence and reliable data;

Internal audit's responsibility to review internal control already covers the adequacy and reliability of management information, and it could therefore contribute to the element of self-assessment by:

- reporting on the adequacy of performance systems on the basis of recent audit work;
- obtaining evidence on the reliability of performance information as part of the sample testing for the systems review;
- verifying PIs by analytical review, comparisons with other councils or recalculation from base data; and
- agreeing a programme of review with the external auditor.

Support and challenge work will not be at the expense of core systems work.

4. IMPLICATIONS

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

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

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ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
30 MARCH 2007

MAINTAINING SCOTLAND'S ROADS

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 planned actions.

2. RECOMMENDATION

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

3. DETAILS

3.1 Appendix 1 sets out the current position as at the 28th of February 2007. With regard to recommendation 1, information was collated for the annual report on the condition of roads and maintenance backlog for the SPC on the 14th of December 2006.

3.2 In respect of recommendation 3, Roads & Amenity Services received notice from the Scottish Executive that the 32 Council Society of Chief Officers of Transportation in Scotland (SCOTS) EGF funding bid had been unsuccessful. The section is awaiting a further proposal regarding future funding options.

3.3 With regard to recommendations 7 and 8, management have reported continued progress with the Roads Maintenance Management System (RMMS) roll out. It was intended that after RMMS was established it would be linked to other Councils and the Councils own financial system. Implementation was to be complete by February 2007. However, with the loss of the SCOTS EGF funding the link to the financial system and other Councils will not be made at this time.

3.4 Management was asked to conduct an option appraisal for procuring and financing road maintenance services for March 2007. Management have reported that the options appraisal has been incorporated into the Operational Services Options Appraisal which is looking at the whole of Operational Services and is due to report in May/June 2007. Once this review is complete the Audit Committee will receive a copy of the report for its review.

3.5 Recommendation 4 remains an ongoing task for Operational Services.

4. CONCLUSION

4.1 Progress with the implementation of recommendations will continue to be reported on 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 28th February 2007.
28Marfinalreport28Mar

Maintaining Scotland's Roads 2005 – 2007
Action Plan

No.	Recommendations	Current Position	Proposed Action	Timescale	Progress update as at end of February 2007
1	Report on the condition of roads and maintenance backlog.	2005/06 Information received.	Continue to report on annual basis.	Report to SPC October 2006	Previously reported information was being assembled for the annual report to the December 2006 SPC. It can be reported this was submitted on 14 th December 2006 and is attached, see Appendix 2.
3	Establish a long-term strategy for road maintenance in the overall context of transportation and roads asset management strategies.	The Society of Chief Officers of Transportation in Scotland (SCOTS) is working on an overall Scotland Approach and is seeking funding from Efficient Government Fund (EGF). Bid was unsuccessful.	The Council is part of this Scotland Wide process.	Ongoing	The Council has now received notification of the 32 Council SCOTS EGF funding bid from the Scottish Executive. The bid was unsuccessful and the Roads & Amenity Services are now awaiting a further proposal from SCOTS.
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.	-	Continuous monitoring.
6	Conduct an option appraisal for procuring and financing road maintenance services.	Work has commenced.	Undertake recommendation.	March 2007	Options appraisal has been incorporated into the Operational Services Options Appraisal which is looking at all of Operational Services and is due to report in May/June 2007.

APPENDIX 1

7	Improve inventory information on the roads assets.	Work ongoing.	Complete inventory.	March 2006	<p>The Roads Maintenance Management System (RMMS) is now fully operational within Street Lighting and Bridge Structures. It was reported that it was yet to become fully operational in Roads. This is now almost complete. It was previously reported that implementation would be complete by February 2007. Funding was awaited from the SCOTS EGF bid to aid this process and to allow a physical link to the systems of other Councils. As reported in 3 above this bid has been unsuccessful and the section is now awaiting a further proposal from SCOTS. Additional time will be needed due to lack of resources to carry out this work.</p>
8	Use asset management system linked to GIS and financial system.	Progress is now being made.	Introduce a Roads Maintenance Management System.	Initial introduction complete full implementation 1 st April 2006	<p>Roads Engineers have now started to receive their ICT training in order to operate the RMMS system. It was intended that after RMMS was established then it could be linked to the financial system. It was thought that this would have been achieved by February 2007. However, the link to the financial system will not be made at this time due to the loss of the SCOTS EGF funding. The section is now awaiting a further proposal on funding.</p>

ARGYLL AND BUTE COUNCIL
CHIEF EXECUTIVE'S UNIT

AUDIT COMMITTEE
30 MARCH 2007

SUMMARY OF QUARTERLY PERFORMANCE REPORTS

1 SUMMARY

This paper provides a summary of the Service quarterly reports for the period October to December 2006, consisting of the exceptional performance sections only.

2 RECOMMENDATIONS

It is recommended that the Audit Committee notes the content of the attached summary report.

3 DETAIL

Service Plans include a level of detail for each Priority, such that service performance and financial information are linked in quarterly reports. Where a Priority is reported as performing above or below the planned level, this performance may be evaluated as exceptional.

The selection of performance included as 'exceptional' relies on the report provided by Services. It is this exceptional performance that is included here.

The Audit Committee on December 8th 2006 requested additional information regarding under-performance. Where available, that information is included here. Specifically, the Audit Committee asked for information about (i) quantifying impacts, (ii) trends and (iii) who is responsible for rectification with a brief explanation of what action is being taken. Where available, the information is included in this report. The default position for responsible person is the Head of Service.

The full quarterly reports are available from the Performance Manager in the Policy and Strategy Team.

For further information contact:

David Clements,
Performance Manager,
Policy and Strategy.
Telephone 01546 604205
Email: david.clements@argyll-bute.gov.uk

Argyll and Bute Council

Extracts from Quarterly Performance Reports Oct-Dec 2006

This paper draws together all the exception reports from the quarterly Service performance reports for the third quarter 2006/07. Exception reports are those areas of service delivery that the Head of Service considers ahead (✓) or behind (✗) the planned level of service. Where no exceptional performance has been reported, the level of service is generally as planned.

Chief Executive's Unit

<u>Communications</u>	no exception reports
<u>Personnel</u>	no exception reports
<u>Policy and Strategy</u>	no exception reports
<u>Strategic Finance</u>	no exception reports

Community Services

Community Regeneration

- ✓ Unified Benefits has improved performance in time taken to process claims, number of claims paid within 7 days and number of home visits
- ✓ Supporting People monitoring visits and service provider liaison meetings maintained at exceptional levels ensuring high quality service provision

Planning and Performance

- ✗ Some delays in upgrading accommodation due to weather and housing stock transfer. Expenditure is £3.148m against planned £3.625m (-13%).
- ✗ Residential units upgrade may be more costly than planned due to the level of tenders. Tender is £461K against planned £305K (+51%).

Community Support

- ✗ The homelessness service reports an increase in the number of households in Bed and Breakfast accommodation due to a lack of move-on accommodation. Costs are therefore increasing in line with the numbers in unsuitable accommodation. It was planned to reduce from 9 to none, but numbers increased by 2 families. Trend is deteriorating.
- ✓ The Rent deposit Scheme has seen an increase in take-up as part of a positive trend.

Children and Families

- ✗ A small proportion (14%) of Social Enquiry Reports were submitted late to Court - planned 100%, actual 86% by due date.

Integrated Care

- ✗ Scottish Executive targets for delayed discharge missed in 'short stay' and 'more than 6 weeks' categories, due to targeting revenue at avoiding admission and lower cost discharge to the community. The target of clients waiting 6 weeks or more is 15, actual number is 32. The trend is improving overall.

<u>Education</u>	no exception reports
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Corporate Services

ICT and Financial Services

- × Some minor delays in migrating application to the new server due to users, interfaces and software upgrades
- ✓ Council Tax collections ahead of schedule
- ✓ A range of Exchequer Services show cost and efficiency improvements

Legal and Protective Services no exception reports

Democratic Services and Governance no exception reports

Development Services

Transportation and Infrastructure no exception reports

Planning

- × Response to Planning Applications slower than planned due to the introduction of the new Comino system with no additional resources for the additional work. This may be exacerbated by forthcoming staff turnover.

Operational Services

Roads and Amenity Services

- ✓ Household Waste Recycling increased and well beyond target

Facility Services

- ✓ Financial surplus across the Service
- ✓ Improved customer satisfaction across the Service
- × Some reduction in use of some facilities due to seasonal variation

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**ARGYLL AND BUTE COUNCIL
CHIEF EXECUTIVE'S**
AUDIT COMMITTEE

BEST VALUE IMPROVEMENT PLAN - PROGRESS REPORT MARCH 30 2007

1. SUMMARY

The Council adopted the Best Value Improvement and Development Plan on May 4th 2006. This report summarises progress to the end of December 2006.

2. RECOMMENDATIONS

It is recommended that the Audit Committee notes the progress made to date on the Improvement and Development Plan.

3. DETAIL

3.1 This progress report indicates that most of the Improvement and Development Plan is on track. This table provides an overall summary.

Status	Last quarter	This quarter	Current position
Actions completed by 31 st Dec	12	26	43
Actions progressing as planned	39	20	20
Actions delayed but with plans in place to ensure progress	21	14	14
Actions delayed and not rescheduled	0	0	0

3.2 Over 55% of the actions are complete - 43 out of 77 actions. All delayed actions have been rescheduled. The complete report is available from the Performance Manager, Policy and Strategy.

4. IMPLICATIONS

FINANCIAL	none
PERSONNEL	none
EQUALITIES	none
POLICY	none

For further information contact:

David Clements
Performance Manager
Policy and Strategy
Tel 01546 604205

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CORPORATE SERVICES**STRATEGIC MANAGEMENT TEAM****5 MARCH 2007**

RISK MANAGEMENT UPDATE

1. BACKGROUND

- 1.1** At their meeting on 8 December 2006, the Audit Committee noted the contents of a report which was submitted by Internal Audit following a review of Risk Management development across the Council. The report developed in co-operation with Corporate Services management highlighted that progress was being made and outlined an approach to be adopted by Council departments to embed risk management. The Audit Committee requested that they be provided with a quarterly report covering progress with the implementation of the reports action points. Set out below is a report on progress to date as at the end of February 2007.

2. DETAIL

- 2.1** At the last Audit Committee it was agreed that the Risk Management Group would report quarterly to advise of progress with the implementation of the action points detailed in the report.
- 2.2** The Governance and Risk Manager and Internal Audit have now attended the Departmental Management Team meetings of each service. Each DMT has agreed to set up the loss control groups in accordance with the risk management framework model and implement the framework of operation.
- 2.3** The DMT's agreed that their respective members of the Risk Management Group should be delegated sufficient authority to enable them to give the departments views on matters and to bind the department to implement requests for information from the Risk Management Group. Such authority is given directly by the department's loss control group who nominate members for the risk management group.
- 2.4** The risk management group meeting on 12 February 2007 agreed an action mandate in relation to preparation of a business continuity plan for Kilmory, which once finalised can be used as a template for other buildings. Also agreed to progress the preparation of the operational risk registers through the departmental loss control groups. The Governance and Risk Manager has reviewed the action plan for developing BCP and has outlined a modified approach to this which has been approved by the RMG. Members will recollect that a BCP exists for pandemic flu and that there was a requirement to prepare

plans for other contingencies. The approach now being followed will deliver over a longer period of time than originally planned but in the interim the BCP for pandemic flu provides the generic basis for a response to any service interruption that may occur this year as was evident by its use during the fire at Scotcourt House, Helensburgh.

- 2.5 The Governance and Risk Manger will prepare the report to the SMT recommending that the Risk Management framework be approved. All the SMT members have already been addressed on this at their respective DMT meetings.
- 2.6 All services have agreed the terms of the Strategic Risk Register and the report has to be submitted to the SMT recommending approval.
- 2.7 The Governance and Risk Manager has attended seminars and meetings involving other public authority risk management practitioners. He has attended the Scottish Regional Group meeting of the institute of risk managers and has become a member of ALARM – Association of Local Authorities Risk Managers.

CHARLES REPPKE
Head of Democratic Services and Governance

For further information contact: Charles Reppke Tel: 01546 604192

LIST OF BACKGROUND PAPERS :

ARGYLL & BUTE COUNCIL
FINANCE

AUDIT COMMITTEE
30 MARCH 2007

ANNUAL AUDIT PLAN 2007 - 2008

1. SUMMARY

The Audit Committee was provided with the Strategic Audit Plan for 2005 – 2008, which was approved on the 4th March 2005. The report attached in Appendix 1, is an extract from the 3 year plan and outlines in detail the areas that will be audited in 2007 – 2008. This is the final year of the 3 year Strategic Audit Plan and complies with the Audit Scotland request to provide additional information to auditees.

2. RECOMMENDATIONS

2.1 The Annual Audit Plan for 2007 - 2008 is approved.

3. DETAILS

- 3.1 Attached is the proposed Annual Internal Audit Plan, which has been presented to the Strategic Management Team (SMT). It provides detail as to the proposed time and areas we intend to audit in 2007 – 2008. The areas were agreed as part of the overall 3-year audit plan for the years 2005 – 2008.
- 3.2 This document increases the awareness amongst departments regarding audit objectives and it is hoped will aid planning and preparation.
- 3.3 Within the attached document is a chart showing when in 2007 – 2008 audits are planned to take place. The annual audit plan has 3 sections, core financial, computer and non financial audits. A table has been produced for each audit section listing the audits, date last audited and number of audit days. The timing of the 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 indication.
- 3.4 Core financial audits have been selected using an Audit Needs Assessment and this will enable Internal Audit over the next year to provide an assurance statement on the Council's overall internal control framework. As financial controls improve across the board, it has provided Internal Audit the opportunity to identify core audits where the focus of the audit can be widened to look at aspects such as data integrity and efficiency, as well as financial control.
- 3.5 Non financial audits within the annual audit plan have been derived from a Heads of Service risk evaluation exercise. The exercise highlighted a number of key operational risks to be included in the plan. Discussions will take place with Heads of Service to progress these audits over the coming year.
- 3.6 The plan is based on having a full complement of staff. Section 2 in the report highlights the vacant posts within Internal Audit. Contract audit staff will be employed to cover these vacancies in the short term. A vacant Accountant post is

being held for a recently qualified member of staff who is currently seconded to Corporate Accounting.

- 3.7 If it seems that the annual audit plan will not be completed as a result of staff shortages then those audits with the highest ranking will take priority over those with lower rankings.
- 3.8 A section has been included within the annual audit plan which lays out the broad scope and objectives for each of the audit sections.
- 3.9 An exercise will be commenced by Internal Audit and KPMG towards the end of the financial year to prepare a further 3 year Strategic Audit Plan for 2008 to 2011. The exercise will evaluate control systems within the Council and cover risk identification with Heads of Service so that these factors can be reflected in the plan.

4. CONCLUSIONS

The Audit Plan addresses the key areas highlighted in the Audit Needs Assessment and will provide an annual assurance statement on the Council's overall internal audit framework. The Annual Audit Plan has been reviewed by RSM Robson Rhodes and it is audit areas have been identified where joint working will take place.

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 March 2007.
6Marreport6Mar



Argyll and Bute Council

Annual Audit Plan 2007 - 2008

6th March 2007

Draft for Audit Committee Approval

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APPENDIX 1

Scope & Objectives for areas outlined in the Audit Annual Plan 2007 – 2008

 Core Financial Audits

 Non Financial Audits

 Contingency Days

2. Foreword

This annual audit plan has been prepared in conjunction with our Internal Audit partners KPMG. The audit plan for 2007 – 2008 is the final year of the 3 year strategic audit plan approved by the Audit Committee on the 4th 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 2007 – 2008 internal 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 attached document is a chart showing when in 2007 – 2008 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. An exercise will be commenced by Internal Audit and KPMG towards the end of the financial year to prepare a further 3 year Strategic Audit Plan for 2008 to 2011. The exercise will evaluate control systems within the Council and cover risk identification with Heads of Service so that these factors can be reflected in the plan.

2. Internal Audit Resource Days 2007 – 2008

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 1,315 working days are available for direct and non-direct audit work and 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 2007 – 2008 is 235. 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 2007 – 2008 is 1,080, which represents 82% of total working days available.

In page 2 of this report the posts vacant presently are highlighted in italics. It is anticipated that the current resource shortfall will be resolved by July 2007. The audit days lost from the 2 vacant posts will be approximately 60 for both posts. However, an attempt will be made to reduce the loss of audit days through the employment of contract audit staff. The vacant

Accountant post is being held for the recently qualified member of staff who is currently seconded to Corporate Accounting.

If it seems that the annual audit plan will not be completed as a result of staff shortages then those audits with the highest ranking will take priority over those with lower rankings.

Internal Audit Resource Days: 2007 – 2008

	Audit Manager	Audit Manager	Accountant Vacant Post	Accountant	Senior Audit Assistant	Audit Assistant Vacant Post	Partner	Contract Auditor	Total
Number of Days in full year	260	260	260	171	260	260	53	0	1,524
Less: Public Holidays	12	12	12	0	12	12	-	-	60
Annual Leave	28	28	20	0	28	20	-	-	121
Sickness Allowance	5	5	5	0	5	5	-	-	25
Working Days Available	215	215	223	171	215	223	53	0	1,315
Non-Direct Audit Work									
IA Management	24	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
Total for Non-Direct Audit Support Work	73	55	23	23	16	16	28	-	235
Time Available for Direct Audit Work	141	160	200	148	199	207	25	0	1,080

3. Assessments of Audit Days 2007- 2008

Assessment of Core Audit Days: 2007- 2008

The core financial audits set out below are those detailed for the final year of the 3 year strategic audit plan, and were selected using an Audit Needs Assessment methodology of risk ranking. It can be seen that there is a greater predominance of category 2 risk ranked audits and this reflects the previous 2 years audit review of controls within these areas. These audits will enable Internal Audit over the next financial year to provide an assurance statement on the Council's overall internal control framework. In the event that the Internal Audit resource shortfall is not addressed by July 2007, the priority will be to complete the Core Financial Systems audits outlined below. This will provide the Councils external auditors with the required level of assurance over core financial systems.

<i>Core financial systems</i>	Risk Ranking	Last Audited	Planned Audit Days 2007- 08
Budgetary control	1	2006-07	20
Capital accounting	1	2006-07	20
Capital contracts	1	2006-07	20
Cash income and banking	2	2006-07	30
Car Allowances	2	2006-07	20
Contract hire and operating leases	2	2006-07	20
Creditor payments	2	2006-07	25
Debtor accounts	2	2006-07	20
General ledger operations	2	2006-07	25
Government & European Grants	1	2006-07	30
Treasury management	2	2006-07	20
Tendering procedures	1	2006-07	30
Payments to voluntary bodies (following the public pound)	2	2006-07	20
Council tax and non-domestic rates	2	2006-07	30
Purchasing	2	2006-07	25
Unified benefits system	2	2006-07	30
Payroll	2	2006-07	30
Stock taking	2	2006-07	25
<i>Subtotal core financial systems</i>	-	-	440

Assessment of Non Financial Audit Days: 2007-2008

The non financial audits set out below are those detailed for the final year 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 the final year of the plan. In 2006 – 2007 a total of 145 audit days were assigned specifically to Best Value. In 2007 – 2008 it is proposed to include the same number of audit days. There is one change to the audit plan for 2007 – 2008 is in recognition of Strategic and Property Asset Management being brought together by the Council, there will only be one audit area for which 30 audit days have been allocated.

In the event that the Internal Audit resource shortfall is not addressed by July 2007, the priority will be to complete the Core Financial Systems audits outlined above. With regard to Non-Financial audits available resources will be allocated to audits with a risk ranking of 1 and 2. Resources will be provided to support the councils continued embedding of Best Value within departments and systems. Audits with a risk ranking of 3 and above will be addressed as resources become available. This outcome is reflected on page 6 of this report with the annual audit plan schedule.

Non-financial audits	Risk Ranking	Last Audited	Planned Audit Days 2007-08	Revised Audit Days 2007-08
Chief Executives	-	-	-	-
Policy & Strategy – Best Value	1 - 3	2006-07	30	125
Community Services	-	-	-	-
NPDO – Contract Monitoring	1	2006-07	30	20
Transportation	1	2006-07	30	20
Care Services	2	2006-07	30	20
HMIe	4	2006-07	20	20
Development Services	-	-	-	-
Partnership Project Funding	3	2006-07	30	25
Corporate Services	-	-	-	-
ICT – Applications	2	2006-07	25	25
Risk Management	3	2006-07	25	30
All Departments	-	-	-	-
- Partnership Working	1	2006-07	30	20
- Strategic Asset Management	1	2006-07	30	30
- Business Continuity Planning	1	2006-07	30	20
- New Legislation	1	2006-07	30	20
- Corporate Governance	1	2006-07	30	30
- Performance Indicators	1	2006-07	50	50
Operational Services	-	-	-	-
Roads & Amenity Services	3	2006-07	30	25
Sub totals non-financial	-	-	480	480

Assessment of Contingency Audit Days: 2007-2008

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.

<i>Contingency days</i>	2007-08
Special investigations contingency	80
Follow-up external & internal audit management letter points	60
Risk assessment, strategic plan, annual plans	20
Sub Total	160

4. ANNUAL AUDIT PLAN 2007 – 2008

Core Financial Systems	Risk Ranking	Last Audited	Audit Days 2007-08	April	May	June	July	August	September	October	November	December	January	February	March
Budgetary Control	1	2006	20							▶					▶
Capital Accounting	1	2006	20							▶					
Capital Contracts	1	2006	20										▶		
Government & European Grants	1	2006	30			▶									
Tendering Procedures	1	2006	30												
Cash Income and Banking	2	2006	30												
Car Allowances	2	2006	20												
Contract Hire and Operating Leases	2	2006	20												
Creditor Payments	2	2006	25												
Debtor Accounts	2	2006	20												
General Ledger Operations	2	2006	25												
Treasury Management	2	2006	20												
Payments to Voluntary Bodies (Public Pound)	2	2006	20												
Council Tax & Non-Domestic Rates	2	2006	30												
Purchasing e-Procurement	2	2006	25												
Unified Benefits System	2	2006	30												
Payroll	2	2006	30												
Stocktaking	2	2006	25												
Subtotal Core Financial Systems			440												
Non-Financial Audits	Risk Ranking	Last Audited	Audit Days 2007-08	April	May	June	July	August	September	October	November	December	January	February	March
Chief Executives Unit – Best Value	1-3	2006	145												
Community Services – NPDO Contract Monitoring	1	2006	30												
Community Services – Transportation	1	2006	20												
All Depts – Partnership Working	1	2006	20												
All Depts – Strategic Asset Management	1	2006	30												
All Depts – Business Continuity Planning	1	2006	20												
All Depts – New Legislation	1	2006	20												
Corporate Governance	1	2006	20												
Performance Indicators	1	2006	50												
Community Services – Services Review	2	2006	20												
Corporate Services – ICT - Applications	2	2006	25												
Development Services – Partnership Project Funding	3	2006	20												
Corporate Services – Risk Management Register	3	2006	30												
Operational Services – Amenity & Roads Services	3	2006	20												
Community Services – HMLe	4	2006	20												
Sub Total Non-Financial			480												
Contingency Days	Risk Ranking	Last Audited	Audit Days 2007-08												
Special investigations, Follow-up, Risk Assessment & Audit Planning	n/a	n/a	160												
Sub Total Contingency Days			160												
Total			1080												

APPENDIX 1

Scope and Objectives 2007 – 2008

2007 - 2008 Planned Objectives

The following sections outline the broad scope and objectives for the reviews identified for 2007 - 2008.

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 was continued into 2006/07 with an assessment of compliance of Primary Schools with Circular 1.10;
- The recommendations made in the 2006/07 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.

1.14 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 looked at the operation of the Payroll. This emphasis will continue into 2007 – 2008. 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. In 2006 – 2007 the audit days allocated for this area of activity were used to review progress by departments with their approach to establishing Best Value on the back of service reviews. The range of audit work carried out by Internal Audit will be within the risk ranking of 1 to 3.

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 was a national report containing 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 in March 2006 detailed the actions that had to be taken in order for the Council to become compliant with the recommendations of the national report. The above outcomes were reported to the Audit Committee and combined with an overall Social Work services review.

2.2.3 Internal Audit in 2007 - 2008 will follow up the report findings to establish that progress is being made by the joint implementation group.

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 HMIE. In 2006 – 2007 Internal Audit carried out an audit to establish that management implementation addressed the actions agreed in the HMIE report. The HMIE will return in 2007 – 2008 to carry out a follow up review regarding implementation of the agreed action plan points. Internal Audit will follow up their report findings.

2.5 Community Services – Transportation

2.5.1 Internal Audit in 2007 - 2008 will follow up the actions of management taken in 2006 – 2007 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 in 2006 – 2007 reviewed Risk Management across the Council departments and prepared a report and action plan which was approved by the Strategic Management Team (SMT) and Audit Committee. In 2007 – 2008 time has been set to review the progress made with implementation across the Council of the agreed action plan points.

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 in 2006 - 2007. Resources have been allocated within the 2007 – 2008 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;
- 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. Following a discussion between the Councils new external auditors RSM Robson Rhodes LLP and Internal Audit, a seminar was held in January 2007 hosted by the Policy & Strategy Unit; the process outlined above was discussed and agreed with the PI co-ordinators for 2006 – 2007 reporting. RSM Robson Rhodes will be doing the external audit of PIs and Internal Audit is planning to work with them in terms of coverage.

3. Contingency Days 2007 – 2008

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
30 MARCH 2007

EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2006 – 2007.

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 both External Audit and Internal Audit. The current reporting system was introduced and approved by the Audit Committee in August 2004. Set out below are the results from a review performed by Internal Audit for recommendations due to be implemented by the 31st December 2006.

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 2004/05, 2005/06 and 2006/07 Internal Audit reports issued prior to December 2006. 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 External Audit report recommendations.

3.2 Appendix 1 is split into 2 documents 1a & 1b. The first document refers to all reports with recommendations due October to December 2006. The second document lists action points outstanding from the previous Audit Committees. These are points that should have been implemented by the 30th September 2006 for the last Audit Committee. The same layout has been used for the reporting of External Audit report recommendations in Appendices 3 & 4.

3.2 Appendices 2 and 4, detail 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, the original and revised implementation date.

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

4. CONCLUSIONS

Implementation of all 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 Alex Colligan of Internal Audit on (01546 604271)

21 March 2007

21Marreport21Mar2007

Internal Audit Report Follow up - Summary

Reports With Recommendations Due From October to December 2006

Audit	Report Number	Points to be actioned by 31 December 2006	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2004/05					
Review of the Prudential Code	17 (May 2005)	1	0	1	G11
2005/06					
Review of Cash and Income Banking School Funds update	9 (February 2006)	4	0	4	E 2,3,4 & 5
Review of Main Accounting System	22 (November 2006)	3	3	0	
2006/07					
Review of Year-end Stock Counts and Work-	2 (June 2006)	2	2	0	
Total		10	5	5	

Points Outstanding From Previous Audit Committee

Audit	Report Number	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2006	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2003/04						
Review of the System of Budgetary Control	9 (November 2003)	2	1	1	0	
2004/05						
Review of Cash and Income Banking	4 (August 2004)	1	1	0	1	D 6
2005/06						
Review of Business Continuity Planning	5 (December 2005)	2	2	0	2	A 1 & 2
Review of Contract Tendering & Vetting	12 (March 2006)	4	2	0	2	F 1 & 3
Review of Cash & Income Banking, Hermitage Academy & Education Services	9 (January 2006)	5	5	2	3	C 1,3 & 5
Review of Recruitment & Retention of staff	20 (June 2006)	1	1	1	0	
Review of Capital Contracts	11 (February 2006)	1	1	0	1	B 3
Review of Main Accounting System	22 (November 2006)	2	2	2	0	
2006/07						
Review of Year-end Stock Counts and Work-in-Progress	2 (June 2006)	1	1	1	0	
Total		19	16	7	9	

Action Points Behind Schedule – Internal Audit**A – Review of Business Continuity Planning**

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	<p>Current business continuity plans do not cover many of the main risks facing the council. Without proper business continuity plans in place the council will find it difficult to deliver the level of services that its citizens expect.</p> <p>The BCP for a pandemic flu will be completed by 30/8/2005. Once approved by the Strategic Management Team (SMT), the Governance and Risk Manager will expand the BCP report to include all appropriate risks by 31/01/2006. The action plan will be subject to task by role play by 31/06/2006</p>	Governance and Risk Manager	A report was submitted to SMT on 5 March 2007 giving an update.	High	31 January 2006	31 January 2008
2	<p>Without sufficient resources, the objectives of the business continuity group are unlikely to be met.</p> <p>The SMT will be asked by 30/08/2005 to note the ongoing service requirements required to</p>	Governance and Risk Manager	A report was submitted to SMT on 5 March 2007 giving an update.	High	31 January 2006	31 January 2008

APPENDIX 2

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
	fulfil the initial completion of the plan and thereafter the ongoing commitments to training and testing and renewing the plans					

B – Review of Capital Contracts

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
3	Contractor claims in the Campbelltown Community Project are potentially under estimated and the capital plan exposed. Closely monitor the progress of the project and consult with Legal and Protective Services.	Project Manager - Campbelltown Community Project	Following specialist legal and contractual claims advice, a proposal to settle the outstanding contractual claims has been presented to the contractor. His formal response to this is awaited. In the interim an updated financial position has been issued to the Strategic Policy Committee on 22 February 2007.	Material	30 September 2006	Ongoing

C – Review of Cash & Income Banking – Hermitage Academy & Education Services

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	<p>Various Council FSR's have not been complied with.</p> <p>The Education Service is to address all the non-compliance issues raised in this report. A questionnaire is currently in the process of completion by schools in order to gauge the extent of compliance.</p>	Heads of Service for Primary and Secondary Education	SC1:10 has been revised and checked by finance manager. It is due to be agreed by the education management team following the INEA follow-through on 21-23 March 2007.	Material	31 August 2006	23 March 2007
3	<p>Written procedures are not in place for day to day administration of the GPF. This could lead to difficulties in the event of sickness and changes of staff.</p> <p>The Treasurer at Hermitage has commenced this task. Education Service management are to review the position at other schools and roll out procedures across the Authority.</p>	Acting Head Teacher (Hermitage Academy) & Heads of Service for Primary and Secondary Education.	SC1:10 has been revised and checked by finance manager. It is due to be agreed by the education management team following the INEA follow-through on 21-23 March 2007.	Minor	31 August 2006	23 March 2007
5	<p>Surprise spot checks of GPF arrangements not undertaken by Education Service management.</p> <p>Management to arrange for spot checks of GPF arrangements.</p>	Heads of Service for Primary and Secondary Education.	Spot checks have been agreed with education finance and will be carried out in a new financial year.	Minor	31 August 2006	31 March 2008

D – Review of Cash and Income Banking

APPENDIX 2

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
6	<p>Income from the public conveniences in Oban and Fionnphort do not reconcile to the expected income per the turnstile reading. On several occasions negative variances between expected and actual cash have been recorded.</p> <p>These variances should be investigated further by management and a satisfactory explanation must be obtained. Any problems with the cash machines or turnstiles must be rectified immediately.</p>	Roads and Amenity Services Manager for Oban, Lorn & the Isles	Turnstile at Oban North Pier has been improved as much as it can without major alterations to the building. Options for Fionnphort turnstile are being reviewed with Facility Services.	FUNDAMENTAL	6 August 2004	30 April 2007

E – Review of Cash and Income Banking – School Funds Update

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	<p>GPF Committees need in some cases to be set up with parents and / or pupils as members as well as teaching staff and empowered.</p> <p>GPF Committees to be responsible for ensuring the revised Standard Circular 1.10 and School's GPF Constitution are compiled</p>	Head of Secondary Education and Head Teachers	SC1:10 has been revised and checked by finance manager. It is due to be agreed by the education management team following the INEA follow-through on 21-23 March 2007.	MATERIAL	31 October 2006	23 March 2007

APPENDIX 2

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
	with and that membership include parents and / or pupils.					
3	<p>The review of controls and procedures surrounding the administration of GPFs at Secondary Schools arising from the school visits revealed that an element of misinterpretation may have occurred regarding recorded responses to questions set in the questionnaire.</p> <p>Each Head Teacher will revisit their questionnaire responses and where applicable prepare an action plan as to how they propose to address any non compliance issues with Circular 1.10 and over what timescale. They will prepare a progress update for the Head of Secondary Education for October 2006 with the aim of achieving full compliance by November 2006.</p>	Head of Secondary Education, Head Teachers and School GPF Committees	SC1:10 has been revised and checked by finance manager. It is due to be agreed by the education management team following the INEA follow	MATERIAL	31 October 2006	23 March 2007
4	<p>The requirements of Standard Circular 1.10 require review and updating.</p> <p>The present Standard</p>	Quality Standards Manager and Head Teachers	SC1:10 has been revised and checked by finance manager. It is due to be agreed by the education management team following the INEA follow	MATERIAL	31 December 2006	23 March 2007

APPENDIX 2

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
5	<p>Circular 1.10 will be revised by a working group headed by the Quality Standards Manager</p> <p>Some matters arose from the review which although not directly contravening standard Circular 1.10 require further consideration. - The management of surpluses. - The presence of open GPF bank accounts with in some cases substantial balances of which management were unaware.</p> <p>The Quality Standards Manager and working group are to investigate and resolve these matters.</p>	Quality Standards Manager and Head Teachers	SC1:10 has been revised and checked by finance manager. It is due to be agreed by the education management team following the INEA follow	MATERIAL	31 December 2006	23 March 2007

F – Review of Contract Tendering and Vetting

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
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APPENDIX 2

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	<p>Multiple customised select list spreadsheets in use, relying on the manual transposition of data from the Health and Safety spreadsheet of approved contractors.</p> <p>A communication to be issued to all departments advising that the Health and Safety list of contractors is the single source of authority for approved contractors.</p>	Health and Safety Manager	Discussions have taken place with Head of Facility Services and a revised pro-forma is under development to address these issues. Once pro-forma is completed and agreed, a meeting of all appropriate persons will be arranged to introduce this new format.	MINOR	30 April 2006	30 April 2007
3	<p>Accounts payable not being advised of new contractors prior to the receipt of contractors invoices.</p> <p>Include a provision for the requirement to communicate new contractors to ICT & Financial Services within the process specified in action 2.</p>	Creditors Supervisor	Discussions have taken place with Head of Facility Services and a revised pro-forma is under development to address these issues. Once pro-forma is completed and agreed, a meeting of all appropriate persons will be arranged to introduce this new format.	MATERIAL	30 April 2006	30 April 2007

G – Review of The Prudential Code

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
11	<p>To facilitate transfer of asset information from a paper to a database system, a budget requirement will be necessary</p> <p>Requirements for a system be identified; options, including costs be investigated; the preferred system be implemented</p>	<p>Head of Transportation and Infrastructure/ Chief Asset Manager</p>	<p>This aspect of Asset Management is on hold as an in house system has been developed to hold information on property assets. Once this system has been evaluated a decision will be taken on the Council's future requirements for an asset register and at that stage a budget will be identified for the system.</p>	<p>MINOR</p>	<p>31 October 2006</p>	<p>28 September 2007</p>

External Audit Report Follow up - Summary

External Audit Reports With Recommendations Due From October to December 2006

Audit	Points to be actioned by 31 December 2006	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2004/05				
2004/05 Audit - Final Report to the Members	1	1	0	
2005/06				
Education Department - Computer Services Review	6	1	5	A 2,6,7,8 & 9
Total	7	2	5	

Points Outstanding From Previous Audit Committee

Audit	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2006	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
<u>2005/06</u>					
Prudential Code	2	0			
Business Continuity Planning Review	1	1	0	1	D 1
Improving Customer Services through Better Customer Contact	1	1	0	1	E 1
Education Department - Computer Services Review	4	2	0	2	A 10 & 11
Financial Strategy	7	2	1	1	C 6
e-Government Preparedness	1	1	0	1	B 2
Total	16	7	1	6	

Action Points Behind Schedule - Audit Scotland Reports

A – EDUCATION DEPARTMENT - COMPUTER SERVICES REVIEW

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	<p>Currently many staff with the Education Department can install software on the schools networks. Risk - Allowing a lot of staff to install software on the schools computers can potentially result in poorly configured applications, badly performing applications and weak security. Staff who install the software may be unaware of the licensing restrictions which can potentially lead to legal action against the Council if software is installed against the licence arrangement or if illegal software is installed.</p> <p>Any software installations on the schools network should be handled or carried out under the supervision of the ICT technicians or other trusted employees. Action - Management procedures are being developed as part of the identified Information Security (IS) Policy for Education.</p>	ICT Development Manager	Audit software, suitable for MAC and PC platforms, has been sourced and purchased and will be rolled out across the schools estate between now and the end of July.	HIGH	31 December 2006	31 July 2007

APPENDIX 4

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
6	<p>In secondary schools, one network hosts both teaching and administrative computers. This is a potential security weakness, as in theory, it is possible for pupils to hack into the administrative computer.</p> <p>A review of the existing network should be undertaken at ascertain if improvements to security of the existing networks is feasible. Possibilities include separating the student and administrative computers into different segments of the network. This approach would help enforce better access controls to the respective computers. Closer monitoring of activities will be undertaken as part of implementation of IS Policy for Education.</p>	ICT Development Manager	The establishment of Virtual Local Area Networks (VLANs) across the Secondary school estate is being developed for deployment. This is only now possible due to the programme of installation of new network equipment as the NPDO project progresses. This is subject to project deadlines being met by the NPDO Project.	HIGH	31 December 2006	February 2008
7	In general, most staff were aware of the need to use strong passwords. However, a small number were unaware of this requirement. Staff use easily guessable passwords, which could allow unauthorised and inappropriate access to the Education Department's	ICT Development Manager	Regular password changes have now been agreed in line with Standard Information Security guidelines for all staff and pupils. The changes to the password policy has been agreed by the ICT Steering Group and ICT Co-ordinators Group for the Education Service but has not yet been implemented. The issue of the existence of Windows 98 PCs will be raised by the ICT	HIGH	31 December 2006	

APPENDIX 4

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
8	<p>computer facilities.</p> <p>All staff using computers within the Education Department should be reminded to use strong passwords. This exists on Corporate Network and will be implemented as part of IS Policy for Education</p> <p>At the time of audit, the inventory of software and hardware was incomplete. At present the opportunity exists for items to be purchased directly by schools. These items are not reflected on the inventory consistently. Software licences are included in the council's balance sheet as fixed assets. However, without a detailed count of the software licenses this figure may be inaccurate. Generally software is subject to license agreements, which can be legally enforced. Operating with unlicensed software is an offence. Without a detailed inventory it is difficult to argue that all the necessary steps were taken to ensure that only properly licensed software is used within the schools.</p>	ICT Development Officer	<p>Development Manager with the schools and he will attempt to advise the relevant schools on a migration strategy for them. This, however, is difficult to enforce as the responsibility for the schools property ultimately rests with the Head Teachers of the establishments and not with the ICT Development Manager. Essentially he is only empowered to offer an advisory service in these.</p> <p>An Audit package was purchased and will be rolled out over the summer months to all schools.</p>	MEDIUM	30 November 2006	31 August 2007

APPENDIX 4

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
9	<p>Update the existing inventories to ensure that all software and hardware are included. Consideration should be given to monitoring hardware and software configurations of all networked computers. This will be implemented as part of IT work plan over the coming year.</p> <p>We were unable to establish the existence of standard network procedures, security and data protection handbook. Network procedures describe how various networking administrative tasks are carried out. They are useful in training staff new to the task and in documenting tasks which are generally only undertaken once or twice during the product's lifetime. One of the tasks identified as necessary for the Council to meet BS7799 Information Security Management standard, was for the Education Department to develop a security and data protection handbook. Without such a document the department would find it difficult to comply with this</p>	ICT Development Manager	The issue of an IS Policy for Education will be developed over the coming calendar year. The start of this process will commence with the negotiation of a new Acceptable Use Policy which will take place between now and the end of July. IS standard will be achievable once the new LAN equipment is rolled out across the Secondary School estate, in line with NPDO Project timescales.	MEDIUM	31 December 2006	February 2008

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
	standard. Develop the appropriate network procedures. Develop security and data protection. Network management procedures are being developed as part of the identified (IS) Policy for Education.					
10	A comprehensive service level agreement (SLA) is an essential requirement for the provision or receipt of any important service. An SLA defines the parameters for the delivery of that service, for the benefit of both parties. The parameters of the service delivery arrangement are not adequately defined. Finalise the SLA for National Grid for Learning project. This will be addressed in re-negotiation of contract.	ICT Development Manager	The issue has been raised with ICT & Financial Services at the last NGFL Team meeting on Thursday 15 March 2007.	MINOR	30 April 2006	Awaiting dates from ICT & Financial Services
11	The aim of business continuity planning is to ensure that an adequate service level can be provided if an unforeseen incident occurs. The Progress Report on Argyll & Bute Council Education Information Security Implementation Plan	ICT Development Manager	Business Continuity Planning is in place for the SEEMIS application suite. The Disaster Recovery Project is being managed by ICT & Financial Services.	MINOR	30 April 2006	Awaiting dates from ICT & Financial Services

APPENDIX 4

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
	<p>dated February 2005 highlighted several outstanding actions in the area of business continuity planning. Incomplete business continuity plans will have an impact on the service provision provided by the Education Department should an unforeseen incident occur.</p> <p>Identify the resources required to complete this action. The Education Management Information System (SEEMIS) will be included in corporate Disaster Recovery Project which accommodates Business continuity plans.</p>					

B – e-GOVERNMENT PREPAREDNESS

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
2	<p>With the customer contact centre project not progressing according to timescales originally agreed, the Council should assess the current position and take action to reflect the way forward in their 21st Century Government Agenda.</p> <p>The strategic plan is being developed for approval by the Strategic Management Team and Strategic Policy Committee</p>	<p>Head of Democratic Services and Governance</p>	<p>The Contact Centre was approved by the Council on 15/11/06 and the action plan agreed for delivery of the initial six series is currently on track.</p>	<p>MEDIUM</p>	<p>31 July 2004</p>	<p>31 December 2007</p>

APPENDIX 4

C – FINANCIAL STRATEGY

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
6	<p>The council's approach to develop financial skills across the organisation could be further improved. Risk: Capital investment decisions may be made which are not soundly based or consistent with the overall corporate strategy. Recommendation: The implementation of the asset management strategy is treated as a matter of priority and measures are taken to minimise any further delay in its implementation.</p> <p>Develop a continuing and structured staff development programme on financial issues.</p>	Head of Strategic Finance	There has been no progress on this. There are not sufficient resources to do this within the next 3 months. Will look at how this can be achieved as work is taken forward on development of the financial strategy and also the best value review of Strategic Finance.	n/a	30 June 2006	31 December 2007

D – BUSINESS CONTINUITY PLANNING REVIEW

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
1	<p>The Council set-up a Strategic Risk Management and Governance Group, which is responsible for managing risk. This group produced a risk register, oversaw the formation of the Loss Control Groups and supervised the development of business continuity plans for a pandemic influenza epidemic. Current business continuity plans do not cover many of the main risks facing the Council. Without proper business continuity plans in place the Council will find it difficult to deliver the level of services that it's citizens expect.</p> <p>The scope of the Strategic Risk Management and governance Group activities for business continuity will be expanded to include the provision of addressing other operational risks. The BCP for a pandemic flu will be completed by 30/08/05. Once approved by the SMT, the RMG will expand the BCP report to include all appropriate risks by 31/01/06. The BCP action</p>	Governance and Risk Manager	See separate report from Iain Jackson	HIGH	31 January 2006	31 January 2008

Ref	Action Point / Implication	Department / Head of Service	Explanation for delay	Risk Grading	Original implementation date	Revised implementation date
	plan will be subject to task by role play by 31/06/06.					

E – 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	<p>Councils need to commit to actively pursue a programme to manage customer service improvements as this is central to effective service delivery.</p> <p>Councils should improve how they research customers' opinion on service and make better use of feedback.</p> <p>Councils should improve performance measurement.</p>	Head of Democratic Services & Governance	The Contact Centre Consultancy from Steria requires them to assist the Council review their Customer strategy in line with the new Service delivery model developed by the Contact Centre.	Medium	31 December 2005	31 August 2007

**ARGYLL & BUTE COUNCIL
COMMUNITY SERVICES**

**AUDIT COMMITTEE
19 MARCH 2007**

COMMUNITY SERVICES – EDUCATION ICT TECHNICIANS TRAINING PLAN.

1. SUMMARY

The audit of the Education Network which was undertaken by Audit Scotland in 2004/2005. Item 4 of the subsequent report highlighted the need for establishing a training plan for ICT Support Technicians across the Education Service.

2. RECOMMENDATIONS

2.1 The contents of this report are noted by the Audit Committee.

3. DETAILS

3.1 The report by Audit Scotland highlighted that “ICT is one area where software applications and environments is rapidly changing” and that Technician staff would require appropriate levels of ICT Training.

3.2 The Education Service operates two separate Personal Computer Platforms: MAC in the Primary and Microsoft/PC in the Secondary estate.

3.3 ICT Support for the Primary estate is provided by a central team based in Inveraray. This team of five technicians are responsible for all aspects of Technical ICT Support duties in primary schools. In order to support the MAC devices in use in almost all of the Primary schools, these Technicians are trained to “MAC hardware accredited” standard and are externally assessed on an annual basis to ensure that they retain that status. This team of technicians is centrally funded and managed by the ICT Development Manager for Community Services.

3.4 The Technician Team in Inveraray have also received training in the support of the Windows/PC environment and also in the installation and support of Local Area Network (LAN) and Wireless LAN equipment.

3.5 There are no formal hardware accreditation qualifications available in the Microsoft/PC environment, therefore it is impossible to offer accreditation similar to the MAC environment. However, there are formal accreditation mechanisms in the support of standard Microsoft products which are commonly used across Secondary schools. Technicians in the Secondary schools are funded and managed by each Secondary school’s Management Team.

4. CONCLUSIONS

A programme of training courses should be delivered in the Inverary Conference Centre during the summer of 2007 to cover the following areas of technical support:

MS Windows Desktop Operating Systems
MS Server Operating Systems
Wireless LAN support & Configuration.

These courses should cost in the region of £8,000 and contribution for this expenditure sought from the 10 Secondary schools with contribution of up to 50% of the costs being found by the ICT Development Manager.

5. IMPLICATIONS

- | | | |
|-----|----------------------|----------------------|
| 5.1 | Policy: | None |
| 5.2 | Financial: | Approximately £8,000 |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |

For further information please contact Paul Cairns, ICT Development Manager for Community Services on (01546 604053)

19th March 2007

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2006 - 2007

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit up to the 2nd of March 2007. 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 2006 - 2007.

3. BACKGROUND

3.1 The progress report contained in Appendix 1 lists the audits scheduled for the financial year 2006 –2007, and are ordered by section and level of completion.

3.2 As at the 2nd of March 2007, of 17 core financial systems audits set out in the audit plan, 12 have been completed. Of the remaining 5 audits, 4 have been started and one audit has been deferred. One of these audits will be carried out by our partners KPMG.

3.3 It is proposed to defer one audit namely Payments to Voluntary Bodies (Following the Public Pound) and this has been agreed with our external auditors RSM. In 2005 – 2006, Internal Audit assisted Audit Scotland with this audit area. What resulted was an agreement with them that Internal Audit would continue to monitor progress made by the Council over a 3 year period. However, in 2006 – 2007 due to operational reasons little progress has been made by the Council which has delayed this audit. Audit Scotland was kept informed and the conclusion reached was that the audit may have to be deferred to 2007 – 2008. In agreement with the Council's new external auditors, RSM this audit has been deferred.

3.4 In the last report to the Audit Committee the e-Procurement/Creditor audit was combined resulting in 50 audit days of which 25 days had been expended with a draft report issued. The remaining audit days were to be allocated to testing a new e-Procurement system. However, management have reported problems with the development of the system to be audited and may not have resolved the issues by the end of March 2007. Less audit days were expended than had been planned for Unified Benefits System joint audit work with Audit Scotland. Audit Scotland fully resourced the audit and carried the work out sooner than was planned and conflicted with staff training and joint audit work with KPMG. In discussion with RSM Robson Rhodes (RSM), joint working for this audit is currently being planned.

3.5 Of the remaining 15 Non-Financial audits from this years audit plan, as at the 2nd of March 2007, 10 audits have been completed. Of the remaining 5 audits all have been started with one of them to be carried out by KPMG.

- 3.6 In order to meet the Audit Scotland requirement, for a review of Payments to Voluntary Organisations, it was agreed with them that the Non Financial Audit - Partnership Project Funding would focus on payments by the Council to the Tourist Board, as this is the largest amount paid to a voluntary body by the Council. This audit has now commenced.
- 3.7 As set out in the Annual Audit Plan a total of 80 days were set aside for Other Areas – Follow Up Work etc. As at the 2nd of March 2007, a total of 38 days have been expended on this task.
- 3.8 A total of 80 days were set aside within the audit plan for Special Investigations / Contingency audit work. As at the 2nd of March 2007, a total of 27 days have been expended.

4. SUMMARY OF AUDIT ACTIVITIES FOR 2006 - 2007

- 4.1 It can be reported that Internal Audit continues to make reasonable progress with the Annual Audit Plan. Joint working has been ongoing with KPMG on computer audit and other joint work. As the section approaches the end of the financial year the final audits from both the Core and Non Financial audit sections of the plan are in most cases well established.

CONCLUSION

Continued progress is being made on audits planned for 2006 – 2007.

6. IMPLICATIONS

- | | | |
|-----|----------------------|--|
| 5.1 | Policy: | Update on audit plan for 2006 – 07. |
| 5.2 | Financial: | The audit plan is based on budgeted provision. |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |

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

Ian Nisbet
Internal Audit Manager 14th March 2007.
14Marfinalport14Mar

Assessment of audit days: 2006-2007 strategic plan

AUDIT WORK SCHEDULE as at 2nd of MARCH 2007	Last audited	Risk ranking	Original Estimated Audit Days 2006-07	Revised Estimated Audit Days 2006-07	Actual Audit Days 2006-07	Balance
Core financial systems						
Complete						
Cash Income and Banking	2005-06	2	30	30	27	3
Contract Hire and Operating Leases	2005-06	2	20	20	20	0
Stocktaking	2005-06	2	25	25	25	0
Debtor Accounts	2005-06	2	20	20	20	0
Council Tax and Non-Domestic Rates	2005-06	2	30	30	25	5
Government & European Grants	2005-06	1	30	30	28	2
Car Allowances	2004-05	2	20	20	17	3
Treasury Management	2005-06	2	20	20	19	1
Capital Contracts	2005-06	1	20	20	15	6
Unified Benefits System	2005-06	2	30	30	10	20
Purchasing/Creditors	2005-06	2	50	50	26	24
Tendering Procedures	2005-06	1	30	30	23	7
Started						
Capital Accounting	2005-06	1	20	20	6	14
Budgetary preparation and control - KPMG	2005-06	1	20	20	1	19
General Ledger Operations	2005-06	2	25	25	3	22
Payroll	2005-06	2	30	30	5	25
Deferred						
Payments to Voluntary Bodies (Following the Public Pound)	2005-06	2	20	20	0	20
Section Total			440	440	271	169
Non-financial Audits						
Complete						
All Depts - Business Continuity Planning	2005-06	1	30	20	21	-1
All Depts - Corporate Governance	2005-06	1	30	30	30	0
Performance Indicators	2005-06	1	50	50	50	0
Community Services - HMLe	2004-05	1	20	20	16	4
Corporate Services - Risk Management Register	2004-05	3	25	20	20	0
New Legislation	2005-06	1	30	20	19	1
All Depts - Strategic Asset Management*	2005-06	1	30	30	21	9
All Depts - Property Asset Management - <i>Combined see above*</i>	2005-06	1	30	0	0	0
Community Services - Education Services	2005-06	2	30	20	17	3
Chief Executives Unit - Policy & Strategy - Best Value	2005-06	1	30	145	97	48
Corporate Services - ICT - Applications	New	2	25	25	30	-5
Started						
Development Services - Partnership Project Funding	New	1	30	20	4	16
Community Services - NPDO - Contract Monitoring - KPMG	2005-06	1	30	20	1	19
Community Services - Transportation	2005-06	1	30	20	2	18
All Depts - Partnership Working	2005-06	1	30	20	2	18
Operational Services - Amenity & Roads Services	2002-03	3	30	20	2	18
Section Total			480	480	332	148
Actual Direct Audit Time			920	920	603	317
Special investigations contingency						
Community Services			80	80	11	46
Chief Executive's Unit					23	
Section Total			80	80	34	46
Other Areas						
Follow-up External & Internal Audit Management Letter Points			60	60	40	20
Risk Assessment, Strategic Plan, Annual Plans			20	20	0	20
Section Total			80	80	40	40
TOTAL			1080	1080	677	403

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Appendix 4**Terms of Reference - Spokesperson and Policy and Performance Groups****Common to all**

To monitor, review and challenge the Council's services and activities, at both corporate and service level, to ensure:

- appropriate performance measures are in place
- the requirement for the council to demonstrate Best Value in the use of its resources is met
- a performance culture within the Council which will drive continuous improvement.

To encourage effective collaboration and co-ordination between and within organisations operating in Argyll and Bute; with particular reference to the Community Planning Partnership to provide the link with the relevant CPP theme group to enable a co-ordinated monitoring of the progress and performance of the public body partners.

Communities (Social)

To consider and report on matters relating to health, housing and local area regeneration, poverty, voluntary sector issues, school and pre-school education, young people and lifelong learning, social work services, and matters relating to culture and sport.

Communities (Economic)

To consider and report on matters relating to the economy, business and industry, vocational training, tourism, and matters relating to transport and transportation, and the matters relating to the strategic regeneration of the Council area.

Environment

To consider and report on matters relating to the environment and sustainable development generally, natural heritage, the land use planning system and building standards, environmental and protective services, energy, agriculture, forestry and fisheries.

Organisational Development

To consider and report on matters relating to the development and operation of the Council, local government and the public sector generally, including corporate and strategic planning, best value, efficient government and shared services, community planning, democratic processes and civic leadership, equal opportunities, public service reform, information and communication technology and procurement.

Terms of Reference – Audit Committee

1. Promote internal controls, financial risk and governance and otherwise, in order to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations.
2. Develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability.
3. Promote good financial practice within the Council.
4. Agree the internal audit strategy and plan and oversee and review action taken on internal audit recommendations.
5. To be consulted on the external audit strategy and plan, review reports from the Council's External Auditors and review action on external audit recommendations.
6. Review the Council's financial performance as contained in the Annual Report and Accounts.
7. Examine the activities and accounts of the Council and exercise a governance role over management efforts to ensure (a) that the expenditure approved by the Council has been incurred for the purposes intended; (b) that services are being provided efficiently and effectively; (c) that value for money is being obtained, all in accordance with Best Value requirements, and (d) that the Council/Executive have appropriate information and advice available to them to make decisions.

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
30 MARCH 2007

BEST VALUE SERVICE REVIEWS

1. SUMMARY

In February 2006 Audit Scotland issued a report entitled “The Audit of Best Value and Community Planning”. The report and findings related to the performance of Argyll & Bute Council’s statutory duties to secure Best Value. The report recognised the effectiveness of the Audit Committee but requested its role could be further developed to provide challenge on the findings and methodology of Best Value Service Reviews. On the 21st of September 2006 the Audit Committee accepted a reporting process agreed originally with Audit Scotland and subsequently with RSM Robson Rhodes LLP. Service review updates commenced on the 8th of December 2006. Attached is the quarterly report as at the 2nd of March 2007.

2. RECOMMENDATIONS

2.1 The Audit Committee to challenge the findings and methodology of service reviews.

3. DETAIL

3.1 Officers responsible for reviews still to be complete by the 8th of December 2006 were contacted at the end of February 2007 by Internal Audit and asked to provide a progress comment. Where a service review was reported complete a report has been provided for the Audit Committee along with any action plans. This process allows the Audit Committee to evaluate and monitor progress as well as challenge completed reviews.

3.2 The date chosen for a progress update from Directors and where applicable their Heads of Service was the 2nd of March 2007. Officer comments are provided in Appendix 1 and are arranged in the following order of completion:

- Reported complete as at the 8th of December 2006: There were 2 service reviews noted by management as complete along with Phase 1 of the Design Services review with Phase 2 already commenced.
- Complete as at the 2nd of March 2007: There are 4 service reviews noted by management as complete for which reports have been supplied. See Appendices 2 to 8.
- Still to be completed – There is now one remaining service review to be completed entitled Environmental Health. The Director of Corporate Services has reported that with the agreement of the Strategic Management Team (SMT) the existing review has been expanded, and a new reporting date has been set for the end of May 2007.

4. CONCLUSIONS

Internal Audit will maintain regular reporting 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. 2nd March 2007. 2Marfinalreport2Mar.

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ARGYLL & BUTE COUNCIL**STRATEGIC POLICY COMMITTEE****OPERATIONAL SERVICES****14 DECEMBER 2006**

REVIEW OF ALTERNATE WEEKLY REFUSE COLLECTION SERVICE TRIALS

1. SUMMARY

- 1.1 This Report updates Members on progress in respect of the alternate weekly collection trial (fortnightly residual bin uplift) taking place on Islay and Jura plus Lismore collections which commenced in November. The Report also highlights other areas of the Council where such collections could be investigated for introduction.

2. RECOMMENDATIONS

- 2.1 Members approve the revised service to Islay/Jura and Lismore for the 2007/08 financial year.
- 2.2 Detailed investigation work is carried out to examine the potential for alternate weekly collections firstly on Mull and Iona, Tiree and then the Helensburgh and Lomond areas. Once such investigations have taken place, reports are prepared and brought to the relevant area committees for approval.

Prior, to such Reports being presented to Area Committees, a Strategic Waste Fund bid for capital funding (and revenue if appropriate) for garden waste bins etc be submitted to the Scottish Executive.

- 2.3 Alternate weekly collections are examined in the Shanks PPP Contract area once the outcome of the mixed waste composting issue is known.

3. BACKGROUND

- 3.1 The principle of alternate weekly collection trials i.e. fortnightly residual waste refuse collection alternating with recycling collections was approved at SPC on 19 January 2006. Such trials were to be subject to Reports to relevant Area Committees. The two areas chosen were Islay and Jura and Lismore with proposals reported to relevant Area Committees in April for Islay and Jura and June for Lismore. The trials were instigated mainly to assist the Council in meeting statutory landfill diversion targets which could incur fines from the Scottish Executive if not met.

3.2 Islay and Jura Scheme

3.2.1 The Mid Argyll, Kintyre and Islay Area Committee agreed on 5 April 2006 to:

1. To approve a proposed trial on Islay and Jura for fortnightly general refuse collection service uplift, alternating with a garden waste uplift.
2. With increased garden waste composting provision, the likely implementation at Gartbreck waste facility of a Pollution Prevention Control (PPC) permit and commercial misuse, the open community skips be removed
3. There should be discussions with the community on the implementation on the foregoing issues.

3.2.2 In the weeks and months following the Area Committee approval, a number of actions were taken as follows:

- a) The Mid Argyll, Kintyre and Islay Area Roads and Amenity Manager attended meetings with the relevant Councillors and Islay and Jura liaison group to discuss further. It was agreed that as there would be limited garden waste uplifted in the winter months, a free bulky uplift collection during the relevant "free" week in those months would be available.
- b) Householders would be given the choice of a garden waste wheeled bin or a composting bin.
- c) Survival sacks (for plastic bottles and cans) would be trialed by including full tied sacks in with the paper and cardboard recycling bins.
- d) A publicity campaign was undertaken including letters written by the Area Manager to the relevant community councils were published in the Ileach (local Islay newspaper). The Ileach also ran a "recycling spread" during one of its May editions highlighting what the Council and Rejig were doing with materials collected for recycling. The Ileach gave a positive report on the benefits of recycling.
- e) A comprehensive information pack was prepared and issued in June informing householders of the proposed scheme and encouraging them to apply for a garden waste wheeled bin (or compost bin), survival sacks for cans and plastic bottles. Those who did not already have a blue bin for paper and cardboard were encouraged to apply for one.
- f) During July local staff distributed red sacks, garden waste bins, home composting bins and blue bins.
- g) Collections date calendars were issued during July and August and alternate weekly collections commenced during week commencing 7 August 2006.

3.3 Outcomes so far

3.3.1 The collections have only been in place for several months and some of the initial outcomes are listed as follows:

- a) Recycling performance has risen on Islay and Jura from 21% (figure in 05/06) to approximately 32% during the trial period as at 31 October 2006.
- b) 85% of householders now have blue bins (over 65% prior to trial starting) with 60% of householders using brown wheeled bins for garden waste and 13% of householders applied for home compost bins. The red survival sacks are also

widely used for plastic bottles and cans by the majority of householders using blue bins.

- c) Rejig (who sort and process the plastic bottles and cans) have reported a trebling of plastic and can recycling from 0.5 tonnes a month to 1.5 tonnes a month. There is a need to alter the service level agreement with Rejig to reflect their additional work. This will be done on the assumption that the Strategic Waste Fund budget can afford the expenditure.
- d) Paper and cardboard recycling has increased from an average of 19 tonnes a month to 27 tonnes.
- e) Garden waste composting at Gartbreck has risen from an average of 10 tonnes per month to 60 tonnes.
- f) Landfill tonnages reported to Customs and Excise have been similar to the same period in 2005 with an average of 235 tonnes per month.
- g) The trial free bulky uplift week in November has been well used with 70 householders applying and receiving an uplift accordingly. However it is recommended that in the 2007/08 financial year this service is restricted to recyclable materials only.

3.3.2 The increase in recycling participation and resulting figures is positive but the lack of any decrease in landfill is somewhat misleading.

Landfill tax is paid by the Council to Customs and Excise on a per tonne basis (currently £21 per tonne). In 2005, Customs and Excise accepted average weights for our large refuse vehicle and bulky uplift/skip vehicle. These weights were based on a once a year weighing exercise carried out by the Council using portable weighbridge scales (the site at Gartbreck currently has no fixed weighbridge). The average weights applied per entry in 2005 were as follows:

Average Weights Applied 2005

Large refuse vehicle - 5.35 tonnes per entry
Bulky uplift/skip vehicle - 1.03 tonnes per entry

In 2006 average weights were no longer acceptable to Customs for this site and instead maximum vehicle weights had to be applied during the trial period as follows:

Maximum Weights Applied 2006

Large refuse vehicle - 10.88 tonnes per entry
Bulky uplift/skip vehicle - 1.27 tonnes per entry

If the maximum weights had been applied in 2005, the average landfill tonnage per month would have been 398 tonnes approx (not 235 tonnes using the average weight criteria).

It is clear that an actual landfilled amounts are difficult to compare between 2005 and 2006 due to weights applied difficulties described.

A weigh bridge facility is planned to be in place by 31 March 2007 and this will result in more accurate actual landfill figures from 2007/08 onwards.

3.4 Complaints

- 3.4.1 As expected there were complaints and issues raised, most of which were by phone to the local area office on Islay. A range of comments were received with a selection of these listed in the Appendix to this report:

3.5 Operational Issues

- 3.5.1 As referred to previously, a lot of work by Council Area staff in particular was carried out between May and August to introduce the scheme, which should not be underestimated.

After initial “teething troubles” where a number of householders did not know the start date, the collections have generally settled down well but have placed increasing pressure on the blue bin recycling uplift, subsequent sorting of paper and cardboard by the Council plus plastic bottle and can sorting by Rejig, (which they are currently not funded for but had agreed to carry out as part of the trial).

The current blue bin collection vehicle for this has a 7 cubic metre body capacity with a driver and loader to carry out the collections. With uptake now at 85% plus the introduction of the red survival sacks, the body capacity is struggling to cope with the volume plus additional sorting is required at Gartbreck site due to the higher amount of material.

Some additional contamination has resulted due to the greater uptake of recycling due to the reduced residual waste collection frequency. As a result some overtime is being incurred on the recycling runs which is being contained within the Strategic Waste Fund Budget for this scheme. A larger vehicle replacement i.e. 10 cubic metre size instead of the current 7 cubic metre body vehicle will be beneficial when the normal replacement cycle takes place.

3.6 Costs

- 3.6.1 The kerbside recycling capital budget for 06/07 of £78,000 was fully spent to provide bins and some additional composting and shredding equipment on Islay.

As referred to previously, carrying out such collections with existing resources has been quite challenging with staffing and vehicle savings unlikely.

There has been some additional commercial refuse income to the value of approximately £1,000. The additional garden waste composting of 150 tonnes during the three month period could arguably save £3,150 in landfill tax (150 x £21 a tonne) and £50 a tonne in landfill allowance target penalties amounting to £7,500. By 2008/09 when landfill allowance penalties reach £150 per tonnes the saving will rise to £22,500. It is clear, that £40,000 target figure for the year is unlikely to be achieved but savings have been made by non-filling of other posts within Roads & Amenity Services

3.7 Lismore

3.7.1 The June, Oban, Lorn and the Isles Area Committee approved a proposed trial on Lismore for a fortnightly residual refuse collection alternating with a paper and cardboard uplift, plus a free home composting bin was to be provided. In addition the unstaffed open community skip on Lismore was to be removed and instead quarterly bulky uplifts provided by the Council.

3.7.2 Actions taken since include:

- a) Each domestic property received a green wheeled bin for residual refuse (Lismore householders did not previously have wheeled bins), a blue wheeled bin for paper and cardboard and a home compost bin. Domestic properties in Port Ramsay were provided with communal bins due to access issues.
- b) Recycling banks for cans and plastic bottles were placed beside the existing glass banks at Achnacroish.
- c) The skip at Achnacroish has been removed and the first quarter bulky uplift will take place on 13 January 2007.

3.7.3 The first paper and cardboard collections were due to take place at time of drafting the report.

3.7.4 The costs for providing bins are included in the capital amount reported in the Islay and Jura section. It is estimated that approximately £4,000 will be saved on ferry fares over a full year.

3.8 Other Council Area where Alternate Weekly Collections may be possible

3.8.1 For the islands of Mull, Iona and Tiree a move to alternate weekly collections will be feasible in due course. This will require additional recycling equipment and bins on Mull plus recycling infrastructure such as a recycling shed and equipment on Tiree. Using information from Lismore on the success of the home composting against the composting collection on Islay and Jura will be instructive when considering future collection plans. Initial results from Islay and Jura do indicate that while composting collections increased recycling tonnage such collections may not necessarily reduce the volume of other material landfilled.

For Helensburgh and Lomond increased recycling collections and lesser mixed waste collections will be possible, but detailed investigations have to take place first. Also funding for bins would have to be sought. Details on sorting costs for recycling and the capacity of Greenlight or other destinations for collected materials have to be further identified.

3.8.2 An additional Strategic Waste Fund Application will be prepared for submission to the Scottish Executive for additional capital funding for bins etc. and revenue funding for existing recycling gaps e.g. some tenemental properties.

3.9 PPP Contract Area with Shanks

3.9.1 Members will be aware of the on-going and as yet unresolved issue in relation to mixed waste composting which is a large part of the PPP diversion targets. Discussions involving the Council, Scottish Executive, SEPA and Shanks are continuing. Once an outcome of the issue is known work will commence investigating what mix of collections would best fit increased recycling in this area. At present, should the current plants in use by Shanks produce material acceptable to SEPA, there may be little seeming benefit by introducing alternating collections.

4. IMPLICATIONS

4.1 Policy - These trials will assist in the extension of alternate weekly collections to other Council areas as appropriate.

4.2 Financial - Some potential saving in landfill tax and avoidance of Scottish Executive landfill allowance fines, but from our first experience it seems clear that the costs for overall refuse collection and recycling will not fall appreciably due to a shift to differential collections. The commentary at 3.3.2 expands on this.

4.3 Personnel - Some changes in working practise regarding collections. Unlikely to be any overall work reductions

4.4 Equalities Impact Assessment - Nil

For further information, please contact Alan Millar – Assistant Operations Manager (Waste Management) (Tel: 01546 604628)

List of background papers

- SPC Report – 19 January 2006
- MAKI Area Committee Report – 5 April 2006
- OLI Area Committee Report – 7 June 2006

Andrew R Law
Director of Operational Services
22 November 2006

ARGYLL & BUTE COUNCIL**STRATEGIC
COMMITTEE****POLICY****COMMUNITY SERVICES
OPERATIONAL SERVICES****9 January 2007**

REMOVAL OF TRADING SERVICE STATUS FROM THE LEISURE SERVICE

1. INTRODUCTION

- 1.1 This paper is to brief the Strategic Policy Committee (SPC) on the proposed removal of Trading Service status from the operation of the Leisure Service.

2. RECOMMENDATIONS

- 2.1 The SPC agree to remove the Trading Service status from the operation of the Leisure Service.
- 2.2 The SPC agree that Facility Services should hold the budget for the operation of the Council's Leisure facilities.

3. BACKGROUND

- 3.1 Facility Services has operated the Council's Leisure facilities as a Trading Service for the period 2004-2006. A financial surplus for Leisure Service operations was returned in 2004/5 and 2005/6.
- 3.2 Community Services is the current revenue budget holder. The operation of the Trading Service is laid out within a Service Level Agreement between Community Services and Operational Services. The cost of operating the Leisure Service is made as a monthly charge to the Community Service's budget.
- 3.3 Audit Scotland in their 2005/06 Audit Report to Members of October 2006 questioned the justification of the Leisure Trading Service structure, in its current form. Strategic Finance has subsequently undertaken an assessment of the criteria governing Trading Service operations, and has concluded that no requirement exists. The assessment is at Appendix 1.
- 3.4 Under the proposed change, roles and responsibilities for the development of Sports and Physical Activity and Cultural Strategy will remain with Community Services. Responsibility for the operation and

management of Council Leisure assets will rest with Facility Services, who will hold the capital and revenue budgets relative to these facilities.

- 3.5 The removal of the Trading Service status will improve the efficiency of budget setting and monitoring processes.

4.0 IMPLICATIONS

Policy	Responsibilities for the development of Sports and Physical Activity and Culture, and the operation of Leisure facilities will remain as is.
Financial	Improvements in the efficiency of the budget setting & monitoring process Audit Scotland 2005/06 Audit Report to Members of October 2006 identified a requirement to review trading accounts.
Personnel	None
Equal Opportunities	None
Legal	None
Community	None

5.0 APPENDIX

Appendix 1 Assessment of Trading Service Criteria – Leisure Service

Sandy Mactaggart
Head of Facility Services
9 January 2007

Appendix 1 Assessment of Trading Service Criteria – Leisure Service

SUMMARY SHEET FOR CONSIDERING IDENTIFICATION OF SIGNIFICANT TRADING OPERATIONS

SERVICE/ACTIVITY COMBINATION		B IS THE OPERATION CARRIED OUT IN A COMPETITIVE ENVIRONMENT											
SERVICE/ACTIVITY CODE	SERVICE/ACTIVITY DESCRIPTION	B1	B2	B3(i)	B3(ii)	B3(iii)	B3(iv)	B3	B4(i)	B4(ii)	B4(iii)	B4	Note 1 B
N11	DES – Halls	No	No	No	No	No	No	No	No	No	No	No	No
N12	DES - Sports Centres	No	No	No	No	No	No	No	No	No	No	No	No
N13	DES - Swimming Pools	No	No	No	No	No	No	No	No	No	No	No	No

Enter each service/activity combinations in a separate row.

Use a separate sheet for consolidations of service and activity combinations eg refuse collection and street cleaning together.

Enter YES/NO in response to each questions B1,B2,B3,B4 etc. and sub questions C2(i), C2(ii) and C2(iii).

Enter YES/NO in main B, C and D based on answers to B1-B4, C1- C3 and D1-D5.

Note 1 If B=YES consider Section C - basis of income. If B = NO then no further action - operation is not trading

Note 2 If C=YES then basis of income is other than straight recharge of costs and operation is trading operation - consider this of significance. If C = NO then no further action - operation is not trading

Note 3 If there are 3 or more Yes to D then the trading operation is significant. If there are 2 YES answers and the 3 NO answers are marginal then the trading operation is still significant. In all other cases the trading operation is not significant

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ARGYLL & BUTE COUNCIL**STRATEGIC
COMMITTEE****POLICY****OPERATIONAL SERVICES****22 February 2007**

REMOVAL OF TRADING SERVICE STATUS FROM WASTE MANAGEMENT

1. INTRODUCTION

- 1.1 This paper is to advise the Strategic Policy Committee (SPC) on the proposed removal of Trading Service status from the operation of the Waste Management.

2. RECOMMENDATIONS

- 2.1 The SPC are asked to approve the removal of a Trading Service status from the operation of Waste Management.

3. BACKGROUND

- 3.1 Operational Services has operated the Council's Waste Management Services as a Trading Service for the period 2004-2006. A financial surplus for Waste Management Service operations was returned in 2004/5 and 2005/6.
- 3.2 Operational Services is the current revenue budget holder. The operation of the Trading Service is laid out within Service Level Agreements between Department Clients and Operational Services. The cost of operating the Waste Management Service is made as a monthly charge to the Client Waste Collection and Street Sweeping budgets.
- 3.3 Audit Scotland in their 2005/06 Audit Report to Members of October 2006 questioned the justification of the Waste Management Trading Service structure, in its current form. Strategic Finance has subsequently undertaken an assessment of the criteria governing Trading Service operations, and has concluded that no requirement exists. The assessment is at Appendix 1.
- 3.4 Under the proposed change, responsibility for the operation and management of Waste Management Services will rest with Operational Services, who will hold the capital and revenue budgets relative to these facilities.

- 3.5 The removal of the Trading Service status will improve the efficiency of budget setting and monitoring processes. It will also facilitate the introduction of Streetscene, which will be outwith of trading services, whereby sections of the street sweeping service will form part of the new Streetscene Teams.

4.0 IMPLICATIONS

Policy	Responsibilities for the development of and the operation of Waste Management Services will remain as is.
Financial	Improvements in the efficiency of the budget setting & monitoring process Audit Scotland 2005/06 Audit Report to Members of October 2006 identified a requirement to review trading accounts.
Personnel	None
Equality Impact Assessment	None
Legal	None
Community	None

5.0 APPENDIX

Appendix 1 Assessment of Trading Service Criteria – Waste Management

Appendix 2 Assessment of Trading Service Criteria – Assessment Questions

Stewart Turner
Head of Roads & Amenity Services
31 January 2007

Appendix 1 Assessment of Trading Service Criteria – Waste Management

SERVICE/ACTIVITY CODE	SERVICE/ACTIVITY DESCRIPTION	B1	B2	B3(i)	B3(ii)	B3(iii)	B3(iv)	B3	B4(i)	B4(ii)	B4(iii)	B4	Note 1 B	Note 2 C	3 or More YES D1-D5	Note 3 Is Trading Operation Significant
A70	Waste Collection - Client	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No
A80	Waste Disposal	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No
A60	Street Sweeping - Client	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
N51	TA - Waste Mang - Waste Collection	No	No	No	Yes	No	No	No	No	No	Yes	No	No	No	No	No
N52	TA - Waste Mang - Street Sweeping	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No

Enter each service/activity combinations in a separate row.

Use a separate sheet for consolidations of service and activity combinations eg refuse collection and street cleaning together.

Enter YES/NO in response to each questions B1,B2,B3,B4 etc. and sub questions C2(i), C2(ii) and C2(iii).

Enter YES/NO in main B, C and D based on answers to B1-B4, C1- C3 and D1-D5.

Note 1 If B=YES consider Section C - basis of income. If B = NO then no further action - operation is not trading

Note 2 If C=YES then basis of income is other than straight recharge of costs and operation is trading operation - consider this of significance. If C = NO then no further action - operation is not trading

Note 3 If there are 3 or more Yes to D then the trading operation is significant. If there are 2 YES answers and the 3 NO answers are marginal then the trading operation is still significant. In all other cases the trading operation is not significant

Appendix 2 Assessment of Trading Service Criteria – Waste Management –
Assessment questions

B FOR ALL OPERATIONS

IS THE OPERATION CARRIED OUT IN A COMPETITIVE ENVIRONMENT?

- | | | |
|----|--|--------|
| B1 | Is the operation carried out under the terms of previous CCT contract? | YES/NO |
| B2 | Is the operation subject to competitive tender? | YES/NO |
| B3 | Does the operation compete in the open/external market? | YES/NO |
| | - (i) Do users (internal or external) have choice on who actually provides the service? YES/NO | |
| | - (ii) Are there providers other than the Council? YES/NO | |
| | - (iii) Is more than 50% of expenditure recovered from income secured in an open/external market? YES/NO | |
| | - (iv) Does user choice cover who provides the operation in addition to quantity and quality? YES/NO | |
| B4 | Is the operation market tested, benchmarked, provided in partnership or otherwise structured that it is effectively provided in a competitive environment? | YES/NO |
| | - (i) Do users (internal or external) have a choice on who is the provider? | YES/NO |
| | - (ii) Does the operation user have choice cover who provides the operation in addition to quantity and quality issues? | YES/NO |
| | - (iii) Are there providers other than the Councils? | YES/NO |

If answer is YES to any of above 4 main questions, then operation is carried out in a competitive environment. In these cases consider the questions to section C to determine if the operation is a trading operation.

If the answer is NO to all of the above 4 questions, then the operation is not provided in a competitive environment and is not a trading operation.

Answers to the sub questions in B3 and B4 should be treated on a majority basis. If at least 50% is YES then the answer to the main question is a YES.

C FOR OPERATIONS PROVIDED IN A COMPETITIVE ENVIRONMENT

IS THE OPERATION CARRIED OUT ON A BASIS OTHER THAN A STRAIGHT RECHARGE OF COST?

- | | | |
|----|--|--------|
| C1 | Is at least 50% of income set by reference to external market? | YES/NO |
| | - (i) Are unit rates based on tenders, market reviews or benchmarking tests? YES/NO | |
| | - (ii) Are there alternative providers whose price levels determine income rates for the operation? YES/NO | |
| C2 | Does the operation carry a risk on the level of income for more than 50% of its income? | YES/NO |
| | - (i) Is it possible for more or less than the full cost of the operation to be recharged to users? YES/NO | |
| | - (ii) Are income rates and/or levels set in advance of actual expenditure being known? YES/NO | |

- (iii) Are income rates fixed or variable during the year to reflect market conditions rather than expenditure levels?
YES/NO

C3 Does income from users exceed 50% of gross expenditure? YES/NO
 If the answer is YES to all 3 questions, then the operation is carried out on a basis other than straight recharge of cost. In this case the tests of significance should be applied.
 If the answer is NO to any of the 3 questions then the operation is not carried out on a basis other than straight recharge of costs and is not a trading service.

D TEST OF SIGNIFICANCE

ARE TRADING OPERATIONS SIGNIFICANT?

- D1 Does the size of the turnover of the trading operation warrant separate accountability? YES/NO
 - If turnover is in excess of 5% of net operating expenditure of the council then YES
- D2 Is there a risk of exposure to financial loss to the authority in carrying out the trading operation? YES/NO
 - (i) Is there a history of loss/deficit/overspend for the service? YES/NO
 - (ii) Does income from external parties exceed 25% of turnover of the trading operation? YES/NO
- D3 Is the trading operation important in demonstrating service improvement and the achievement of targets? YES/NO
 - (i) Is the trading operation directly related to a statutory performance indicator? YES/NO
 - (ii) Does the trading operation directly impact on a key performance target? YES/NO
 - (iii) Does the trading operation have a significant number of improvements to achieve arising from best value review/service delivery review/external review?
 YES/NO
- D4 Is the Council exposed to the risk of service or reputation loss in carrying out the trading operation? YES/NO
- D5 Is the trading operation likely to be of interest to key stakeholders and their needs? YES/NO
 - Does the trading operation provide a service directly to the public? YES/NO
 - Is the trading operation central to partnership arrangements or delivery of key partnership objectives (eg community planning partnership, joint working with other public agencies)? YES/NO

If the answer to 3 or more of the above questions is YES then the trading operation is a significant trading operation. Where the answers to 2 of the above questions are YES then consider if the NO answers to the other 3 questions are marginal, if they are marginal then still consider the trading operation as a significant trading operation.

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ARGYLL & BUTE COUNCIL**CORPORATE SERVICES****13 February 2007**

EXTRACT OF MINUTE OF ARGYLL AND BUTE COUNCIL - 13 FEBRUARY 2007

7. CAMPBELTOWN NEW QUAY

The Council received an update regarding the use of Campbeltown New Quay following a meeting on 5 February 2007.

Decision

1. To delegate to the Director of Operational Services and the Head of Legal and Protective Services, in consultation with the Leader, Depute Leader and Councillors Donald Kelly, Alastair McKinlay and Rory Colville, authority to negotiate the terms and conditions for the future use of Campbeltown New Quay by the company referred to in the report.
2. That the terms of these negotiations be reported back to a Special Council Meeting to be held on 22 March 2007.
3. That the Audit Committee give consideration to the circumstances surrounding this matter and bring back a report to the Council Meeting on 25 April 2007.

(Reference: Joint report by Director of Development Services and Head of Legal and Protective Services dated 2 February 2007, submitted)

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