

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart



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18 March 2008

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **MEMBERS ROOM, KILMORY, LOCHGILPHEAD** on **THURSDAY, 27 MARCH 2008** at **11:00 AM**, which you are requested to attend.

Nigel Stewart
Director of Corporate Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST (IF ANY)**
3. **MINUTES**
Audit Committee 14 December 2007 (Pages 1 - 6)
4. **ANNUAL ACCOUNTS 2007/2007 - FINANCIAL STATEMENTS**
Report by Head of Strategic Finance (Pages 7 - 8)
5. **AUDIT PLAN 2007/2008**
Report by Grant Thornton (Pages 9 - 30)
6. **PROGRESS REPORT ON INTERNAL AUDIT PLAN 2007-2008**
Report by Internal Audit Manager (Pages 31 - 34)
7. **STRATEGIC AUDIT PLAN 2008-2011**
Report by Internal Audit Manager (Pages 35 - 60)
8. **EXTERNAL AND INTERNAL REPORT FOLLOW UP 2007-2008**
Report by Internal Audit Manager (Pages 61 - 76)
9. **RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY**
Report by Governance and Risk Manager (Pages 77 - 78)

10. SUMMARY OF QUARTERLY PERFORMANCE REPORTS

Report by Chief Executive's Unit (Pages 79 - 82)

11. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE

Report by Internal Audit Manager (Pages 83 - 142)

AUDIT COMMITTEE

Councillor Gordon Chalmers
Councillor Bruce Marshall
Ian M M Ross
Christopher Valentine

Councillor Mary-Jean Devon
Councillor Roderick McCuish
Councillor Ron Simon

Contact: Fiona McCallum

Tel. No. 01546 604406

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD
on FRIDAY, 14 DECEMBER 2007**

Present:

Mr Ian M M Ross (Chair)

Councillor Gordon Chalmers
Councillor Ron Simon

Dr Christopher Valentine

Attending:Charles Reppke, Head of Democratic Services and Governance
Bruce West, Head of Strategic Finance
Ian Nisbet, Internal Audit Manager
David Clements, Performance Manager
Lyndis Davidson, Performance Management Officer
Gary Devlin, Grant Thornton UK
Steven Vallely, Grant Thornton UK**Apologies:**Councillor Mary-Jean Devon
Councillor Roderick McCuish

Councillor Bruce Marshall

The Chair ruled and the Committee agreed to vary the order of the business so that the report entitled "External Audit Report – Best Value" could be considered after item 4 "Audit Interim Management Report".

1. DECLARATIONS OF INTEREST (IF ANY)

None.

2. MINUTES

The Minutes of the Audit Committee meeting held on 20 September 2007 were approved as a correct record.

3. AUDITED ACCOUNTS 2006/2007 AND EXTERNAL AUDIT REPORT

The External Auditors, Grant Thornton UK, LLP have completed their audit of the Council's accounts for the year to 31 March 2007. The audited accounts incorporating the audit certificate and the external audit report 2006-2007 were before the Council for consideration on 30 November 2007. The Audit Certificate contained no qualifications and external audit report highlighted key issues for the attention of Members.

Decision

1. To note the audited accounts, the terms of the audit certificate and the external audit report; and
2. Agreed that the Audit Committee will continue to monitor the action plans agreed in the response to individual audit reports that have been issued during the year.

(Reference: Report by Head of Strategic Finance dated 22 November 2007, Report on the 2006-2007 Audit dated 31 October 2007 and Accounts for the period 1 April 2006 to 31 March 2007, submitted).

4. AUDIT INTERIM MANAGEMENT REPORT 2006-2007

The Council is required to have arrangements in place for ensuring propriety, regularity and Best Value in their stewardship of public funds. It is the responsibility of management to ensure that adequate internal controls are in place which ensure that resources are applied to the activities intended, deter fraud and irregularity and ensure the most effective use of resources. As part of their 2006-2007 Audit, the Council's external auditors reviewed the adequacy of the Council's internal control framework in the following areas: arrangements for the effective governance and stewardship; and the operation and effectiveness of key controls over financial systems to support their opinion on the accounts. The external auditors interim management report was before the Committee for consideration.

Decision

To note the contents of the report.

(Reference: Interim Management Report dated 31 October 2007 by Grant Thornton UK LLP, External Auditors, submitted)

5. EXTERNAL AUDIT REPORT – BEST VALUE

The Council received a full best value audit in 2005, with the report published in February 2006. In May 2006 the Council published an Implementation and Development Plan outlining how it would seek to improve its best value performance. A report, which was presented to the Executive on 18 October 2007, outlining the key findings from Audit Scotland's first follow-up review following publication of the Audit Scotland report was before the Audit Committee for information.

Decision

To note the report and the action plan attached to the report.

(Reference: Report by Head of Strategic Finance dated 9 October 2007, submitted).

6. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2007-2008

An interim progress report advising Members of the progress against the Annual Audit Plan up to 16 November 2007 was considered.

Decision

To note the terms of the report and approve the progress made with the Annual Audit Plan for 2007-2008.

(Reference: Report by Internal Audit Manager dated 21 November 2007, submitted)

7. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2007-2008

The Committee considered a report detailing the results from a review performed by Internal Audit on recommendations due to be implemented by 30 September 2007.

Decision

To note the contents of the report and that they will be followed up by Internal Audit.

(Reference: Report by Internal Audit Manager dated 21 November 2007, submitted).

8. RISK MANAGEMENT REPORT

A report outlining progress with the implementation of the Council's Risk Management and Business Continuity Strategy was considered.

Decision

To note the terms of the report.

(Reference: Report by Governance and Risk Manager dated 22 November 2007, submitted)

9. SUMMARY OF QUARTERLY PERFORMANCE REPORTS

A report providing a summary of the Service Quarterly reports for the period July to September 2007 consisting of the exceptional performance sections only was considered. The Committee were also advised of progress with the implementation of the new Performance Management System (Pyramid)

Decision

1. To note the Service performance in the report;
2. To note that the Head of Democratic Services and Governance would advise the Head of Legal and Protective Services of the Committee's concern that no performance data was being provided against Animal Health and Welfare; and
3. To note that the Pyramid Team had now seconded 3 staff full time (one each from Community Services, Development Services and Operational Service) for up to 2 years from the beginning of December 2007 to progress the implementation of the Performance Management System and that Corporate Services had provided office accommodation for the Pyramid Team;

(Reference: Report by Chief Executive's Unit, submitted)

10. POST COMPLETION AUDIT REVIEWS

At the last Audit Committee on 20 September 2007 the Head of Strategic Finance was requested to bring forward a report outlining arrangements for post completion reviews on capital projects. A report detailing the proposals being put in place was considered.

Decision

1. To note the proposals currently being put in place and outlined in the report; and
2. Agreed that the Committee should be involved in the selection process of projects to be reviewed.

(Reference: Report by Head of Strategic Finance dated 28 November 2007, submitted).

11. BRIEFING NOTE ON PERFORMANCE OF STRATHCLYDE PENSION FUND - JUNE 2007

A report giving an update on the performance of Strathclyde Pension Fund as at 30 June 2007 was considered.

Decision

1. To note the contents of the report; and
2. To note that once an update on performance of the Fund as at 30 September 2007 was available the Head of Strategic Finance would circulate this to the Committee.

(Reference: Report by Head of Strategic Finance, submitted).

12. LEGAL SERVICES UPDATE

A report advising of progress with the Best Value Review of Regulatory Components of Legal and Protective Services and related management support was considered.

Decision

To note the contents of the report.

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

13. KPMG REPORT

A report detailing the activity of KPMG further to the internal audit partnering agreement since the Audit Committee held on 20 September 2007 was considered.

Decision

To note the activities undertaken as detailed in the report.

(Reference: Report by KPMG dated 5 December 2007, submitted).

14. (a) INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2007-2008

A report detailing executive summaries and action plans (where applicable) for finalised audit work was before the Committee for consideration.

Decision

1. To note the contents of the report and that these will be followed up by Internal Audit; and
2. To congratulate ICT and Financial Services for the positive outcome of an audit carried out on Council Tax and Non-Domestic Rates.

(Reference: Report by Internal Audit Manager dated 21 November 2007, submitted).

The Committee resolved in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the public for the following item of business on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 6 respectively of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

14. (b) INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2007-2008

As part of the Audit Plan for 2006-2007, Internal Audit agreed to undertake an audit of the systems and procedures for Partnership Funding and the Council's procurement of tourism services through VisitScotland was chosen. A report detailing the outcome of this audit was before the Committee for consideration.

Decision

To note the contents of the report.

(Reference: Report by Internal Audit Manager dated November 2007, submitted).

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**ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE**

**AUDIT COMMITTEE
7 March 2008**

ANNUAL ACCOUNTS 2007/08 – FINANCIAL STATEMENTS

1 INTRODUCTION

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2008 and the preparation of the Council's Financial Statements for 2007-08.

2 RECOMMENDATIONS

- 2.1 To note that plans are in place to prepare the Council's annual accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2008 in line with the Scottish Government'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 year-end close down of the council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements.
- 3.3 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure, capital charges and treasury management revenue accounts completed by 30 April.
 - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 30 April.
 - Council Tax and NDR entries completed by 14 May
 - Review and adjustments to ledger and central department cost allocations completed by 19 May.
 - Preparation of unaudited single entity financial statements including report by Head of Strategic Finance by 13 June.
 - Unaudited single entity financial statements considered by a meeting of the Full Council on 26 June. If the Group Accounts are ready by the Full Council Meeting they will also be considered by Members at this point in time.

- Submission of Unaudited Financial Statements to Accounts Commission by the statutory deadline of 30 June 2008.
- 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 financial statements. The plan should result in Financial Statements prepared by the required deadline of 30 June 2008 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2008.
- 3.5 This year there are further technical changes in the preparation of the Financial Statements arising from the 2007 Statement of Recommended Accounting Practice (2007 SORP). The two main areas of change are the introduction of a new revaluation reserve and accounting for the revaluation of fixed assets and also the accounting treatment for financial instruments. These changes are the last big changes to bring the preparation of local authority accounts in line with UK GAAP (Generally Accepted Accounting Practice). The challenge for future year's financial statements will be the full implementation of International Financial Reporting Standards (IFRS) into the public sector.
- 3.5 Copies of both sets of instructions / timetables are available from Head of Strategic Finance if required.

Bruce West
Head of Strategic Finance
22 February 2008

Argyll and Bute Council

Audit Plan 2007-08

February 2008

**ARGYLL AND BUTE COUNCIL
AUDIT PLAN 2007 - 2008**

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Appendix I : Summary of Planned Audit Reports and Outputs 2007-2008

Appendix II : Planned Reliance on Internal Audit

1 INTRODUCTION

- 1.1 Grant Thornton UK LLP 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 second year of our appointment, and reflects our statutory duties and risk based approach.
- 1.2 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 International Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board.
- 1.3 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 2008. 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.

- 1.4 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.
- 1.5 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.
- 1.6 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 2007-08 audit is contained at Appendix I.

2 FINANCIAL STATEMENTS

Introduction

- 2.1 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:
- i 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;
 - ii maintain proper accounting records; and
 - iii 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).
- 2.2 The auditor is required to audit the financial statements and to give an opinion as to:
- i whether they present fairly the financial position of the Council and its expenditure and income for the period in question;
 - ii whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
 - iii whether the Statement on Internal 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

- 2.3 In order to gain sufficient assurance to support our opinion on the financial statements, we will carry out a review of:
- i internal audit, to determine the extent of reliance we can place on it for the purposes of our audit (Appendix II summarises the areas of internal audit work we plan to place reliance on);
 - ii the internal control framework for key financial systems;
 - iii review of computerised controls operating across major IT systems;
 - iv the materiality of balances and transactions impacting on the financial statements;
 - v the key risks relevant to the preparation and audit of the financial statements; and
 - vi the Council's arrangements for the preparation of its financial statements and for the Whole of Government Accounts consolidation pack.

Risk Assessment and Audit Response

- 2.4 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><i>Statement of Recommended Practice (SORP)</i></p> <p>The 2007 SORP introduces a number of changes to the presentation of the Council's 2007-08 financial statements, following significant changes implemented in 2006-07. Key changes for 2007-08 are:</p> <ul style="list-style-type: none"> ▪ replacement of the fixed asset restatement reserve and capital financing reserve by a revaluation reserve and capital adjustment account; ▪ implementation of Financial Reporting Standards 25, 26 and 29 and the associated impact on accounting for premiums from debt rescheduling; and ▪ the requirement to prepare for the implementation of International Financial Reporting Standards (IFRS). <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 2007-08 financial statements at an early stage in the audit process.</p> <p>A joint Council/Grant Thornton workshop covering the 2007-08 SORP and accounts closedown and audit arrangements is planned for 12 February 2008.</p>
<p><i>Trading operations</i></p> <p>The Council did not meet the financial break-even target for a number of its statutory trading operations (STOs) during 2006-07. The Council has agreed undertake a best value review of its STOs to identify how best value expectations will be met going forward.</p>	<p>We will review the Council's arrangements for trading operations and assess performance in meeting the statutory break-even target as part of our financial statements audit.</p>

Key risk area	Our response
<p><i>Reserves & Balances</i></p> <p>The Council holds significant reserves and balances to meet both planned expenditure and unforeseen financial costs. The Council's arrangements are prudent, but more could be done to better clarify how the Council proposes to apply some earmarked balances.</p>	<p>We will review the Council's financial planning and budgetary control arrangements to ensure compliance with good practice.</p>
<p><i>Schools NPDO</i></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 take place during the 2007-08 financial year.</p> <p>The project requires a significant financial commitment from the Council over the life of the contract.</p>	<p>We will review of the proposed balance sheet treatment of the schools asset as part of our audit of the Council's 2007-08 financial statements.</p>
<p><i>Single Status and Equal Pay</i></p> <p>Following the 'equal pay' review, the Council made compromise payments of £4.2 million to some categories of female employees in February 2006.</p> <p>Following the 'single status' review, the Council made a final offer to employees, to implement a new pay and grading model. This model will add £6.2 million to the Council's annual wage bill from 2008-09.</p> <p>It is important that the Council formalises its agreements on single status and equal pay to establish future financial commitments, to resolve existing claims for compensation, and limit the potential for future claims to emerge.</p>	<p>We will monitor events in relation to the implementation of the single status and equal pay agreements 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

2.5 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)
Interim Accounts Report	February – April 2008	30 May 2008
Accounts Report (ISA 260)	July – September 2008	early September 2008

3 GOVERNANCE

Introduction

- 3.1 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 has a role in monitoring these arrangements.
- 3.2 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:
- i the Council's review of its systems of internal control, including its reporting arrangements;
 - ii the prevention and detection of fraud and irregularity;
 - iii standards of conduct, and arrangements in relation to the prevention and detection of corruption; and
 - iv the financial position of the Council.

Overall Approach

- 3.3 We will assess the adequacy of the Council's governance arrangements by:
- i updating our review of the Council's overall arrangements in relation to each of the above areas;
 - ii updating our review of the extent of compliance with the 'Code of Practice for Internal Audit in Local Government'; and
 - iii 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

- 3.4 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><i>Political Governance and Scrutiny</i></p> <p>The Audit Committee represents the main body for reviewing the effectiveness of the Council's governance, internal control and risk management arrangements and is, therefore, a key part of the Council's scrutiny framework.</p> <p>The Council increasingly works in partnerships with a range of organisations to achieve its corporate goals and objectives. These more complex service delivery arrangements increase the risk that current scrutiny arrangements may not be effective.</p> <p>The Council has also recently established its Policy Performance Groups to better focus scrutiny of performance across corporate policy objectives.</p>	<p>We will monitor the Council's developing governance arrangements, in particular we will undertake a review of the Council's audit committee arrangements, including its relationships with Policy Performance Groups, against existing good practice guidance.</p>
<p><i>Contract Management</i></p> <p>The Council spends significant sums annually on its capital programme and needs effective contract management arrangements in place to ensure capital projects are prioritised in accordance with corporate priorities, contracts are awarded in line with legislative requirements, and good budget and project management arrangements are in place to contain costs.</p>	<p>We will review the Council's overall contract management arrangements and undertake a review of a sample of significant projects, including the Oban Airport contract.</p>

Key risk area	Our response
<p><i>Financial Management and Budgetary Control</i></p> <p>The Council is forecasting a funding gap over the next 5 years and a need for efficiency savings in excess of £5 million for 2007-08. This presents a significant challenge to develop a sustainable medium term financial strategy that delivers a balanced budget.</p> <p>The Council adopt a traditional approach to financial management and budgetary control, but more could be done to better align budgets to the corporate plan and performance.</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>
<p><i>Internal Audit</i></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 follow up the Council's progress in implementing the agreed recommendations from our 2006-07 report on Internal Audit.</p>
<p><i>National Fraud Initiative</i></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> <p>We will prepare a questionnaire response to Audit Scotland on the outcomes from the 2006-07 NFI exercise for the Council.</p>

Audit Timetable and Planned Audit Outputs

3.5 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)
Contract Management	February – March 2008	30 April 2008
Governance Report	February 2008	30 May 2008
Fraud Returns to Audit Scotland	Ongoing	30 May 2008
NFI Questionnaire Response to Audit Scotland	February 2008	29 February 2008

4 PERFORMANCE

Introduction

- 4.1 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:
- i 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;
 - ii be organised to deliver those priorities;
 - iii meet and clearly demonstrate that it is meeting the community's needs; and
 - iv operate in a way that drives continuous improvement in all its activities.
- 4.2 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.
- 4.3 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

- 4.4 We will assess the adequacy of the Council's arrangements for performance management and the achievement of Best Value by:
- i working with Audit Scotland, to follow up the Council's progress in addressing the key findings emerging from the recent Best Value report;
 - ii reviewing the Council's arrangements for identifying, measuring and reporting efficiency savings under the efficient government agenda;
 - iii assessing the Council's progress in implementing an effective performance management system; and
 - iv 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

4.5 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><i>Best Value</i></p> <p>The Accounts Commission published its report on the Best Value assessment of the Council in February 2006 and indicated its intention to follow up progress in addressing the issues raised in its report in 2007-08.</p> <p>Our assessment of progress in 2006-07 found that the Council had responded positively to Audit Scotland's Best Value report but must now focus on turning strategies into action to embed best value principles throughout the organisation.</p>	<p>Audit Scotland and Grant Thornton will work in partnership to undertake an assessment of the Council's progress in addressing the key issues raised in the Accounts Commission's 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. Key areas of focus are likely to include:</p> <ul style="list-style-type: none"> ▪ governance; ▪ performance management; ▪ risk management; ▪ asset management; and ▪ financial management.
<p><i>Efficient Government</i></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>
<p><i>Statutory Performance Indicators</i></p> <p>The Council is required to prepare statutory performance indicators (SPIs) in accordance with a direction issued annually by the Accounts Commission. We audit these indicators to ensure they are prepared in accordance with the guidance. SPIs continue to represent the main source of performance information for the Council.</p>	<p>We will review the Council's arrangements for compiling and reporting SPI information in accordance with the Direction issued annually by Audit Scotland.</p>

Audit Timetable and Planned Audit Outputs

4.6 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)
Controller of Audit Report - Best Value Progress Report	April – May 2008	30 June 2008
Statutory Performance Indicators – Audit Scotland Return	August 2008	30 August 2008

5 GRANT CLAIMS

Introduction

5.1 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:

- i housing and council tax benefits;
- ii supporting people;
- iii education maintenance allowances; and
- iv non-domestic rates.

Overall Approach

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

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

- i the Council's arrangements for the preparation of each claim submitted for audit;
- ii 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);
- iii the effectiveness of the internal control framework for key financial systems relevant to each grant claim;
- iv the materiality of balances and transactions impacting on each grant claim; and
- v the key risks relevant to the preparation and audit of each grant claim.

5.4 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.

5.5 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 2008	31 November 2008
Supporting People	30 June 2008	30 September 2008
Education Maintenance Allowances	30 June 2008	31 July 2008
Non-domestic Rates	30 September 2008	8 February 2009

6 AUDIT TEAM AND FEES**The Audit Team****Exhibit 9: Key Members of the Audit Team**

Role	Experience
Sarah Howard Engagement Partner Email: sarah.howard@gtuk.com Tel: 07831 564148	Overall responsibility for delivery of the audit, liaison with management and the audit committee.
Gary Devlin Client Service Manager Email: gary.devlin@gtuk.com Tel: 0131 659 8554	Responsible for day to day management of the audit, liaison with management and the audit committee.
Stephen Vallely Lead Auditor Email: stephen.vallely@gtuk.com Tel: 0131 659 8572	Responsible for managing the onsite fieldwork during the interim and final audits.
Paul Spinks Senior Technical Manager Email: paul.spinks@gtuk.com Tel: 07798 831962	Responsible for providing specialist technical input to the financial statements audit, including advising on the implementation of the 2007 SORP and IFRS.

- 6.1 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.
- 6.2 The core audit team will call on other specialist and support staff, as necessary, during the course of the audit.
- 6.3 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

- 6.4 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.
- 6.5 Our 2007-08 audit fee has been set above the indicative fee level, and within Audit Scotland's proposed range, to take account of additional work in relation to the following:
- the proposed audit of contracts management;
 - follow-up work on Best Value; and
 - audit requirements emerging from the introduction of the 2007 SORP and IFRS reporting requirements.
- 6.6 The fee includes:
- i all of the work and outputs described in this plan;
 - ii attendance at audit committees and other meetings;
 - iii access to advice and information on relevant audit issues;
 - iv access to workshops/seminars on topical issues; and
 - v all travel and subsistence costs.
- 6.7 The table below shows the proposed audit fee, plus Audit Scotland's fixed charge for the year ending 31 March 2008.

Exhibit 10: Proposed Fee

Area	2007-08	% Change
Indicative fee	£189,500	+2.5%
Proposed Grant Thornton fee	£204,000	+2.2%
Audit Scotland fixed charge	£ 89,200	+3.2%
Total	£293,200	+2.6%

Audit fees are inclusive of VAT and expenses.

- 6.8 Our fee is based on a number of assumptions, in particular:
- i 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; and
 - ii the completion by internal audit of reviews of the areas set out in Appendix II.
- 6.9 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.

SUMMARY OF PLANNED AUDIT REPORTS AND OUTPUTS 2006-2007

Audit Area	Target Delivery Date (Final Report)
Financial Statements Audit Interim Accounts Report Accounts Report (ISA 260)	30 May 2008 30 September 2008
Governance Audit Contract Management Governance Report	30 May 2008 30 June 2008
Performance Audit Best Value – follow up review Statutory Performance Indicators – Audit Scotland Return	30 July 2008 30 August 2008
Grant Claims Audit Housing and Council Tax Benefits Supporting People Education Maintenance Allowances Non-domestic Rates	30 November 2008 30 September 2008 31 July 2008 8 February 2009
Overall Audit Annual report to Members and the Accounts Commission	30 September 2008

Status of our Reports to the Council

- 6.10 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.

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 2007-08, we will plan to place reliance on the work of internal audit in the following areas:

- Payroll;
- Council tax and Non-domestic Rates;
- Creditor payments;
- General Ledger operations;
- Cash income and banking;
- Purchasing IT and e-procurement;
- Capital;
- Unified Benefits System;
- Debtor accounts;
- Statutory Performance Indicators;
- Stocktaking;
- Payments to voluntary bodies; and
- Contract higher and operating leases.

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PROGRESS REPORT ON INTERNAL AUDIT PLAN 2007 - 2008

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit up to the 1st of February 2008. 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 2007 - 2008.

3. BACKGROUND

3.1 The progress report contained in Appendix 1 lists the audits scheduled for the financial year 2007 –2008, and are ordered by section and level of completion.

3.2 As at the 1st of February 2008, of 15 core financial systems audits set out in the adjusted audit plan presented on the 14th of December 2007, 9 have been completed. Of the remaining 6 audits 4 have been started with 2 of those close to completion. The 2 remaining audits will commence in February 2008.

3.3 Of 14 non-financial audit areas set out in the adjusted audit plan of the 14th of December 2007, 10 audit areas have been completed as at the 1st of February 2008. Of the remaining 4 audits, 3 are currently ongoing with one audit Best Value still to be commenced. A decision has been taken to transfer audit days from Best Value to Special Investigations where the 80 estimated direct audit days has been exceeded. It should be noted that the Community Services NPDO audit recorded 65 direct audit days expended against an estimate of 30 days. The variance is due to one of the Trainee Accountants partnering the Auditor assigned to the audit.

3.4 Eighty direct audit days were set aside in the annual audit plan for Special Investigations / Contingency work. As at the 1st of February 2008, a total of 102 days have been expended. The decision has therefore been taken to transfer in 45 days from the Best Value direct audit day allocation. This should provide this section of the audit plan with the necessary additional audit days for the remainder of the financial year. As detailed in the Annual Audit Plan a total of 80 direct audit days are set aside for Other Areas. As at the 1st of February 2008, a total of 47 days have been expended.

4. SUMMARY OF AUDIT ACTIVITIES FOR 2007 - 2008

4.1 It can be reported that Internal Audit continues to make reasonable progress with the Annual Audit Plan. Current progress with the Internal Audit plan reflects similar performance in 2006/07. One of the Trainee Accountants has been assigned their own audit following their partnering on the Community Services NPDO audit. The other Trainee Accountant continues to assist with the Major

Capital Audit.

CONCLUSION

Progress is being made on audits planned for 2007 – 2008.

6. IMPLICATIONS

- | | | |
|-----|----------------------|--|
| 5.1 | Policy: | Update on audit plan for 2007 – 08. |
| 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 11 February 2008.
11Febfinalport11Feb

Assessment of audit days: 2007-2008 strategic plan

AUDIT WORK SCHEDULE As at the 1st of February 2008	Last audited	Risk ranking	Original Estimated Audit Days 2007-08	Revised Estimated Audit Days 2007-08	Actual Audit Days 2007-08	Balance
Core financial systems						
Complete						
Government & European Grants	2006-07	1	30	30	17	13
Stocktaking	2006-07	2	25	25	13	12
Payments to Voluntary Bodies (Following the Public Pound)	2005-06	2	20	20	24	-4
Payroll	2006-07	2	30	30	19	11
Contract Hire and Operating Leases	2006-07	2	20	20	17	3
Council Tax and Non-Domestic Rates	2006-07	2	30	30	25	5
Creditor Payments	2006-07	2	25	25	25	0
General Ledger Operations	2006-07	2	25	25	20	5
Purchasing IT e-Procurement/Pecos	2006-07	2	25	25	20	5
Started						
Car Allowances	2006-07	2	20	20	5	15
Major Capital Audit	2006-07	1	120	120	112	8
Unified Benefits System	2006-07	2	30	30	19	11
Cash Income and Banking	2006-07	2	30	30	8	22
Not Started						
Budgetary preparation and control	2006-07	1	20	20	0	20
Debtor Accounts	2006-07	2	20	20	0	20
Section Total			470	470	324	146
Non-financial Audits						
Complete						
All Depts - Corporate Governance	2006-07	1	20	20	15	5
All Depts - Performance Indicators	2006-07	1	50	50	52	-2
Community Services - School & Public Transportation	2006-07	1	20	20	19	1
Community Services - Disclosure Scotland	2006-07	2	20	20	22	-2
Community Services - Legislative Compliance	2006-07	1	20	20	18	2
Operational Services - Roads & Amenity Services - Waste Mgt	2002-03	3	20	20	19	1
Community Services - NPDO - Contract Monitoring	2006-07	1	30	30	65	-35
Corporate Services - ICT - Applications	2006-07	2	25	25	22	3
Corporate Services - Risk Management Register	2006-07	3	20	20	18	2
All Depts - Community Planning Partnership Working	2006-07	1	20	20	17	3
Started						
All Depts - Business Continuity Planning	2006-07	1	20	20	9	11
Development Services - Partnership Project Funding	2006-07	1	20	20	1	19
Community Services - Social Work	2006-07	1	20	20	8	12
Not Started						
Chief Executives Unit - Policy & Strategy - Best Value	2006-07	1	145	100	0	100
Section Total			450	405	285	120
Actual Direct Audit Time			920	875	609	266
Special investigations contingency						
Council Wide			80	125	7	23
Chief Executive's Unit					59	
Community Services					4	
Development Services					12	
Operational Services					20	
Section Total			80	125	102	23
Other Areas						
Follow-up External & Internal Audit Management Letter Points			60	60	36	24
Risk Assessment, Strategic Plan, Annual Plans			20	20	10	10
Section Total			80	80	47	33
TOTAL			1080	1080	757	323

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INTERNAL AUDIT
STRATEGIC AUDIT PLAN
2008 - 2011
&
ANNUAL PLAN
2008 - 2009
22 February 2008

Draft for Audit Committee Approval

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1. Strategic Audit Plan 2008 – 2011

This strategic audit plan provides a framework within which Internal Audit work will be carried out over the next 3 years and ensures that resources are effectively planned and controlled. It should be seen as a flexible management tool, which meets the following objectives and provides:

- 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;
- the authority to act once it is approved by the Audit Committee; and
- a permanent record of the factors considered and judgements made.

The strategic 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 plan has also been agreed by the Council's external auditors Grant Thornton UK LLP.

Included within the strategic audit plan is the 2008 - 2009 annual audit plan set out below in Tables 1 to 5. Section 6, on pages 11 to 17, gives a summary of audit day usage and provides further detail of Internal Audit resource allocation for 2008 - 2011.

2. Internal Audit Responsibilities

In preparing this strategic audit plan Internal Audit has taken consideration of the following:

Section 95 Officer

Internal Audit has a responsibility to inform the Section 95 Officer, the Head of Strategic Finance, of the effectiveness of the system of internal control operated within the Council. To date an Internal Financial Control Statement (IFCS) has been prepared for the Section 95 Officer by Internal Audit for inclusion in the Council's Annual Accounts. In June 2007, Grant Thornton UK LLP recommended that in future Internal Audit prepare an Internal Control Statement (ICS) for the Section 95 Officer. The new statement will comment on both financial and wider controls operated within the Council.

Audit Committee

Internal Audit has a responsibility to the Audit Committee to report on the progress of the audit programme in terms of planned time against actual time, and provide extract summary reports plus action plans from audits. Action plan recommendations made by external and internal audit are followed up and progress regarding implementation by local management is reported to the Audit Committee. At the culmination of each year's audit work an annual report is prepared by Internal Audit and presented to the Audit Committee along with an ICS in future.

External Audit

Internal Audit has a responsibility to co-ordinate its activities with Grant Thornton UK LLP. The relationship operated by Internal Audit with the Council's external auditor, is one of joint working. We try to avoid areas of duplication and in other instances work jointly on large system control issues. Consultations are held on a regular and informal basis to co-ordinate work and where appropriate develop audit programmes and methodology to assist in the carrying out of our systems audit work.

3. Core Financial Audits 2008 – 2011

Internal Audit has a responsibility to evaluate and test financial and management information systems in order to provide an opinion as to the adequacy of control within the Council. As a result of this work departmental management receive audit reports with recommendations offering advice to enable rectification of system weaknesses, improve compliance and control and reduce risk.

Gaining Assurance

Internal Audit in agreement with Grant Thornton UK LLP will adopt the CIPFA systems based audit (SBA) control matrices. This is a methodology developed by CIPFA for identifying weaknesses and risks in systems and evaluating the controls management have established, and for testing the controls to check they are working effectively in order to provide assurance to management.

The SBA control matrices cover the main fundamental financial systems such as creditors, debtors, payroll, etc. The adoption of the CIPFA control matrices will help the section further develop its quality standards, compliance with the Code and enable departments to gain from participating in the audit methodology. The introduction and use of CIPFA SBAs also complements a medium term goal set out in the 'Corporate Plan 2007 – 2011 and beyond' that of introducing self assessment tools to strengthen the drive for continuous improvement.

Using the systems based auditing methodology will provide a co-ordinated approach that will meet the objectives of both external and internal audit. The adoption of the methodology will enable the following:

- A co-ordinated and efficient audit approach;
- External audit can place reliance on internal audit work; and
- Audit effort can be focused more effectively.

The adoption of the CIPFA SBAs will assist our overall aim to maintain and strengthen our good working relationship with external audit and stakeholders within a quality framework. A description of how the new SBAs are to be used in co-operation with departments is provided in Appendix 2.

Council Financial Systems

In order to provide an opinion on the Council's internal controls, Internal Audit is required to take cognisance of the Council's main financial systems and their support systems. The main financial systems are as follows:

- Payroll Systems;
- Council Tax and Non-Domestic Rates;
- Main Accounting Systems;
- Creditor Payments Systems;
- Debtors;
- Unified Benefits; and
- Asset Management.

Core Financial Audit Assessment

In order to identify and rank the main financial systems that will require to be audited over the next 3 years, Internal Audit makes use of 3 assessments. These are set out as headings in Table 1, page 5. They are:

- *materiality factors* – an assessment of the financial size of the system;
- *inherent risk* - the risk associated with a particular activity due to its very nature, and the level of sensitivity attached to a possible breakdown in the effective operation of that system; and
- *controls effectiveness* - an assessment based on audit report recommendations regarding the degree of control management currently has over the inherent risks.

Each of the assessments was given a best practice weighting. Materiality was rated X 3, Inherent Risk X 5, and Controls X 2. This enabled Internal Audit to reflect the emphasis given to these criteria in relation to audit needs. A ranking of between one and 5 was given for both Inherent Risk and Materiality and a ranking of between one and 3 for Controls. For Inherent Risk a score of 5 was given for highest risk and the same ranking was used for Materiality and for Controls effectiveness a score of 3 where they are judged poor. The calculation of all three elements together provided a range of total scores for Financial Systems of between 10 and 46. Total scores were then evaluated and allocated a 'total risk' score for each system with the highest scoring areas ranked one reducing to nine.

Table 1 – Calculation of Audit Risk (Core Financial Systems)

	Materiality factors	Inherent risk	Control rating	Total audit risk score	Ranking
Core financial systems <i>(Weighting)</i>	(x3)	(x5)	(x2)	(max 46)	-
Budgetary preparation and control	5	5	2	44	1
Capital accounting	5	5	2	44	1
Capital contracts	5	5	2	44	1
Cash income and banking	4	5	2	41	2
Car Allowances	4	5	2	41	2
Contract hire and operating leases	5	4	2	39	2
Council tax and non-domestic rates	5	5	1	42	2
Creditor payments	5	5	1	42	2
Debtor accounts	5	5	1	42	2
Purchasing	5	5	1	42	2
Unified benefits system	5	5	1	42	2
Asset Management					
General ledger operations	5	5	1	42	2
Government & European grants	5	5	3	46	1
Payroll	5	5	1	42	2
Treasury management	5	5	1	42	2
Tendering procedures	5	5	2	44	1
Payments to voluntary bodies (following the public pound)	5	5	1	42	2
Stock taking / Work in progress	5	5	1	42	2
Major Capital Audit	5	5	2	44	1

Materiality ranking – 1 (low) to 5 (high)
 Inherent risk scores – 1 (low) to 5 (high)
 Control effectiveness scores – 1 (good) to 3 (poor)

Table 2 – Assessment of Audit Days: 2008 – 2011

	Risk ranking	Last audited	2008-09	2009-10	2010-11
Core financial systems					
Budgetary preparation and control	1	2007	15	40	15
Capital accounting	1	2007	15	15	-
Capital contracts	1	2007	15	15	-
Cash income and banking	2	2007	40	15	15
Car Allowances	2	2007	15	40	15
Contract hire and operating leases	2	2007	15	40	15
Council tax and non-domestic rates	2	2007	40	15	15
Creditor payments	2	2007	15	40	25
Debtor accounts	2	2007	15	15	40
Purchasing	2	2007	15	15	40
Unified benefits system	2	2007	40	15	15
Asset management	1	2007	40	15	-
General ledger operations	2	2007	15	15	40
Government & European Grants	1	2007	35	35	35
Payroll	2	2007	40	15	15
Treasury management	2	2007	15	15	-
Tendering procedures	1	2007	15	15	-
Payments to voluntary bodies (following the public pound)	2	2007	15	40	15
Stock taking / Work in Progress	2	2007	25	25	25
Major capital audit	1	2007	-	-	115
Subtotal core financial systems			440	440	440

4. Non- Financial Audits 2008 – 2011

The Code requires that Internal Audit not only audit financial systems controls but also other systems of management control used. This is to ensure the Council's objectives are being properly managed and that control arrangements have been established and operate within the Council to ensure that the Council's core values are being addressed.

Internal Audit, in complying with the Code, has prepared this section of the report incorporating gross high risk areas extracted from the Council Risk Register. These will be reviewed in order to provide assurance to management that control is extant. The audit plan has also taken into account the objectives set out in the Council Corporate Plan. The Council faces internal challenges to improve the efficiency and effectiveness of its operations.

The significance of Information Computer Technology (ICT) for controlling Council activities and the provision of management information is recognised in the audit plan. Internal Audit is required to review general ICT controls as well as the Council's ICT Security Strategy. In previous years a specific number of direct audit days have been provided by a partner. An assessment will be required to be undertaken in order to determine any required partner involvement in this activity. If the outcome of the assessment results in a partner being the preferred option then a tendering process would be initiated and the Audit Committee informed. At present Internal Audit will follow the CIPFA Computer Audit SBAs.

Discussions were held with Directors and Heads of Service at their Departmental Management Team meetings. This provided senior management with the opportunity, to identify specific audit areas or new developments where Internal Audit could assist.

The non-financial section of the strategic audit plan also recognises activities that require to be reviewed on an annual basis. These include corporate governance, computer audit, risk management, business continuity and statutory performance indicators. As outlined above under core financial systems the same audit approach will be operated with the majority of the non financial audits. CIPFA has developed a number of systems based audit (SBA) control matrices for non financial control areas, and these will be adopted by Internal Audit.

Non-Financial Audit Assessment

In order to identify and rank non-financial areas to be covered over the next 3 years, Internal Audit used 3 assessments and these are set out as headings in Table 3, page 9. They are:

- *Inherent risk* - the risk associated with a particular activity due to its very nature, and the level of sensitivity attached to a possible breakdown in the effective operation of that activity;
- *Controls effectiveness* - an assessment based on audit report recommendations regarding the degree of control management currently has over the inherent risks; and
- *Management risk* - from the Risk Register and meetings held with Departmental Management Teams (DMTs) where comment was received on areas of concern from the Directors and Heads of Service.

The calculation of all 3 elements together gave a scoring for Non-Financial audit areas of up to 46. Total scores were then evaluated and allocated a 'total risk' score for each audit area with the highest scoring areas ranked one reducing to 9. This analysis identified broad audit areas and through meeting with Departmental Management Teams management was asked to identify specific audit areas and these are reflected in Table 3 along with their 'total risk' score over the 3 years. Internal Audit will discuss these specific audit areas with departmental management in years 2 and 3 to ensure ongoing objectivity. In addition the Table 4 sets out the number of direct audit days allocated to each specific audit area.

In addition direct audit days have been allocated for Corporate Governance, Business Continuity, Risk Management and national Statutory Performance Indicators (SPIs) work, which are annual tasks. Statutory Performance Indicators are currently being replaced by a Single Outcome Agreement (SOA) for reporting 2008 – 2009 council performance. Audit Scotland has indicated that more direct audit days should be set aside in the audit plan; for years 2009 – 2010 and 2010 – 2011 to allow the new process to bed in. Therefore additional days have been provided within the audit plan for years 2 and 3. If subsequently the additional direct audit days are not required this will be adjusted in the respective annual audit plan.

Table 3 – Assessment of Audit Days: 2008 - 2011

Non Financial Audit Areas	Total audit risk score	Risk ranking	Last audited	2008-09	2009-10	2010-11
CHIEF EXECUTIVES						
Policy & Strategy – Best Value	44	1	2006	30	-	30
Health and Safety	46	1	-	30	-	30
Single Outcome Agreement	46	1	-		30	-
CORPORATE SERVICES						
Stress Management Exercise	44		-	30	-	30
ICT	38	2	2007	-	30	-
Business Continuity Management	44	1	2007		30	-
COMMUNITY SERVICES						
Pre-school Education Provision	44	1	-	30	-	30
SW Commissioning & Contracting	41	2	-	30	-	30
Adult Services Assessment & Care Management Processes	44	1	-	-	30	-
Foster Care Service	39	2	-	-	30	-
DEVELOPMENT SERVICES						
Transport & Infrastructure Grant Funding	44	1	2007	30	-	30
Partnership Project Funding	39	2	2007	-	30	-
Tourism	42	2	2007	-	-	30
OPERATIONAL SERVICES						
Payroll processes for catering.	42	2	-	30	-	30
Procurement for fleet.	46	1	2005	30	-	30
Commodity procurement for catering.	46	1	-	-	30	-
Stock control – systems leisure	42	2	-	-	30	-
ALL DEPARTMENTS						
Department Risk Plan Testing	44	1	-	30	30	30
Recruitment & Retention of Staff	44	1	2006	20	20	20
Computer Audit	38	2		28	28	28
Department Business Continuity Plan Testing	46	1	2007	30	30	30
New Legislation	44	1	2007	30	30	30
Corporate Governance ICS	46	1	2007	30	30	30
Performance Indicators / Single Outcome Agreement	46	1	2007	52	86	84
Subtotal non-financial				460	494	522

5. Contingency Days 2008 – 2011

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.

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. In the year 2007 – 2008 the direct audit day estimate for Special Investigations was exceeded and as a result an additional 20 days have been allocated.

Internal Audit reports on a quarterly basis to the Audit Committee detailing management progress in implementing agreed audit report recommendations and a number of days have been allocated within the plan for this task. Internal Audit as well as other sections within the Council will be participating in PYRAMID, a performance management system. To reflect this change an additional 25 days have been provided within the audit plan. Days have also been allocated for ongoing risk assessment over the 3 years and the updating of annual audit plans.

If the level of direct audit day input diminishes in any of the areas detailed below, either throughout 2008 – 2009 or in subsequent years, an adjustment will be made and the Audit Committee informed.

Table 4 – Assessment of Audit Days: 2008 - 2011

	2008-09	2009-10	2010-11
Contingency days			
Special investigations contingency	100	100	100
Follow-up external & internal audit management letter points	85	85	85
Risk assessment, strategic plan, annual plans	20	20	20
Sub Total	205	205	205

6. Internal Audit Resource 2008 – 2011

Tables 6.1 and 6.2, on pages 12 & 13 set out the resources and number of days available for 2008 - 2009. There are 3 elements to the tables:

- total working days available;
- non-direct audit days; and
- direct audit days.

In arriving at the number of working days for 2008 - 2009 cognisance has been taken of the fact that 3 members of staff will be involved in professional training. After deductions for annual leave and sickness provision a total of 1,388 working days are available for direct and non-direct audit work.

The non-direct audit day allocation covers tasks such as internal audit management, professional training to ensure that staff is supported in their work and general administration issues. The total days allocated to non-direct audit for 2008 - 2009 is 283 and are set out in Tables 6.1 and 6.2.

Direct audit days are the allocation of days to both core financial and non-financial audits. The audit days assigned to both these audit areas includes time for Planning, Fieldwork, Report Writing and Management Review. In addition a number of days have been included for Contingency, see Section 5 above. The total number of days allocated to direct audits for 2008 - 2009 is 1,105 and represents 80% of total working days available.

Tables 6.3, 6.4, 6.5 and 6.6 on pages 14 to 17 show the estimated number of available direct audit days and are set out for years 2009 – 2010 and 2010 – 2011. All subsequent variations will as usual be reported to the Audit Committee.

In 2009 – 2010 there is a total of 1,388 working days available after deductions for annual leave and sickness provision. The total days for non-direct audit days has been reduced from 283 days in 2008 - 2009 to 249 days. The reduction is due to less time being allocated to professional training. A total of 1,139 days will therefore be available for direct audit work and represents 82% of all working days.

In 2010 – 2011 there is a total of 1,388 working days available after deductions for annual leave and sickness provision. The total days for non-direct audit days has been reduced from 249 days in 2009 - 2010 to 221 days. The reduction is due to less time being allocated to professional training. A total of 1,167 days will therefore be available for direct audit work and represents 84% of all working days.

APPENDIX 1

Table 6.1 – Internal Audit Resources 2008 - 2009

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Computer Audit	Contract Auditors	Total
Number of Days in full year	261	261	261	261	261	28	264	1, 597
Less: Public Holidays	8	8	8	8	8	-		40
Annual Leave	32	32	24	24	32	-		144
Sickness Provision	5	5	5	5	5	-		25
Working Days Available	216	216	224	224	216	28	264	1,388
Non-Direct Audit Work								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development & Audit Internal Meetings	10	10	38	54	28	-	-	140
Advisory	10	10	-	-	-	-	-	20
Total for Non-Direct Audit Support Work	85	60	44	60	34	-	-	283
Time Available for Direct Audit Work	131	156	180	164	182	28	264	1,105

APPENDIX 1

Table 6.2 – Internal Audit Resource Days 2008 - 2009

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Contract Auditor	Total	Computer Audit	Total
Direct Audit Work									
Core Financial Audits & regularity work	31	41	86	77	72	133	440	-	440
Non-Financial Audits including Computer Audit Input from External Partner	30	40	84	77	70	131	432	28	460
Sub Total	61	81	170	154	142	264	872	28	900
Contingency									
Special Investigations	35	35	10	10	10	-	100	-	100
Follow Up Reviews	25	30	-	-	30	-	85	-	85
Risk Analysis	10	10	-	-	-	-	20	-	20
Sub Total	70	75	10	10	40	-	205	-	205
Total for Direct Audit Work	131	156	180	164	182	264	1,077	28	1,105

APPENDIX 1

Table 6.3 – Internal Audit Resources 2009 – 2010

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Computer Audit	Contract Auditors	Total
Number of Days in full year	261	261	261	261	261	28	264	1, 597
Less: Public Holidays	8	8	8	8	8	-	-	40
Annual Leave	32	32	24	24	32	-	-	144
Sickness Provision	5	5	5	5	5	-	-	25
Working Days Available	216	216	224	224	216	28	264	1,388
Non-Direct Audit Work								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development & Audit Internal Meetings	10	10	38	38	10	-	-	106
Advisory	10	10	-	-	-	-	-	20
Total for Non-Direct Audit Support Work	85	60	44	44	16	-	-	249
Time Available for Direct Audit Work	131	156	180	180	200	28	264	1,139

APPENDIX 1

Table 6.4 – Internal Audit Resource Days 2009 – 2010

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Contract Auditor	Sub Total	Computer Audit	Total
Direct Audit Work									
Core Financial Audits & regularity work	29	39	83	83	78	128	440	-	440
Non-Financial Audits including Computer Audit Input from External Partner	32	42	87	87	82	136	466	28	494
Sub Total	61	81	170	170	160	264	906	28	934
Contingency									
Special Investigations	35	35	10	10	10	-	100	-	100
Follow Up Reviews	25	30	-	-	30	-	85	-	85
Risk Analysis	10	10	-	-	-	-	20	-	20
Sub Total	70	75	10	10	40	-	205	-	205
Total for Direct Audit Work	131	156	180	180	200	264	1,111	28	1,139

APPENDIX 1

Table 6.5 – Internal Audit Resources 2010 – 2011

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Computer Audit	Contract Auditors	Total
Number of Days in full year	261	261	261	261	261	28	264	1, 597
Less: Public Holidays	8	8	8	8	8	-		40
Annual Leave	32	32	24	24	32	-		144
Sickness Provision	5	5	5	5	5	-		25
Working Days Available	216	216	224	224	216	28	264	1,388
Non-Direct Audit Work								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development & Audit Internal Meetings	10	10	24	24	10	-	-	78
Advisory	10	10	-	-	-	-	-	20
Total for Non-Direct Audit Support Work	85	60	30	30	16	-	-	221
Time Available for Direct Audit Work	131	156	194	194	200	28	264	1,167

APPENDIX 1

Table 6.6 – Internal Audit Resource Days 2010 – 2011

	Audit Manager	Audit Manager	Trainee Accountant	Trainee Accountant	Senior Audit Assistant	Contract Auditor	Sub Total	Computer Audit	Total
Direct Audit Work									
Core Financial Audits & regularity work	29	38	87	87	75	124	440	-	440
Non-Financial Audits including Computer Audit Input from External Partner	32	43	97	97	85	140	494	28	522
Sub Total	61	81	184	184	160	264	934	28	962
Contingency									
Special Investigations	35	35	10	10	10	-	100	-	100
Follow Up Reviews	25	30	-	-	30	-	85	-	85
Risk Analysis	10	10	-	-	-	-	20	-	20
Sub Total	70	75	10	10	40	-	205	-	205
Total for Direct Audit Work	131	156	194	194	200	264	1,139	28	1,167

The New Audit Approach

Internal Audit in agreement with Grant Thornton UK LLP will adopt the CIPFA systems based audit (SBA) control matrices. This is a methodology developed by CIPFA for identifying weaknesses and risks in systems and evaluating the controls management have established, and for testing the controls to check they are working effectively in order to provide assurance to management.

CIPFA Systems Based Auditing

Within each system audit there are 3 elements of control matrices:

- Hazard Identification Document (HID)
- Internal Control Questionnaire (ICQ)
- Compliance Test Papers (TCP)

Hazard Identification Document (HID)

This document provides a structured approach for:

- Documenting likely hazards affecting systems;
- Identifying possible consequences; and
- Determining controls and countermeasures that are expected to be in place in order to minimise risks.

Each expected control and countermeasure on the HID is cross-referenced to the relevant part of the ICQ.

Internal Control Questionnaire (ICQ)

The ICQ is cross-referenced to the “Expected controls and countermeasures” column in the HID and broken down into the various sub-systems or procedures in order to enhance risk assessment. The ICQ provides a means of establishing whether the expected controls and countermeasures are in place.

Compliance Test Papers (TCP)

Each compliance test is cross-referenced to the relevant ICQ and broken down into the same sub-systems or procedures to aid risk assessment. The control tests seek to provide evidence that the internal control identified as being in place is operating in the manner intended by management.

The New Approach – How it will work

Over the 3 years to 2011 internal audit will undertake both interim and full audits for the systems outlined in Table 2. All of the audits set out with the exception of 2 audits Government/European Grants and Stock Taking, will be subject to an interim and full audit over the 3 years of the audit plan. An interim audit will require the departmental responsible officer to complete an ICQ and return this with evidence in support of their recorded responses. Thereafter Internal Audit will prepare a report based on the responses and evidence received. Where a full audit is carried out the responsible officer will complete and return the ICQ with

supporting evidence and the auditor will then carry out compliance testing. Thereafter a report will be generated to conclude the audit. The same process will be carried out for a full audit where ICQs will be issued for all sub-systems for completion by the responsible officer.

The Council is currently developing PYRAMID a performance management system and it is envisaged that when ICQs are issued they will be assigned to the responsible officer and be recorded on PYRAMID. Similarly, when action plans from audit reports are agreed with management the recommendations will be assigned on PYRAMID to the appointed responsible officer.

CIPFA SYSTEMS BASED AUDIT MATRICES

Hazard Identification Document:

Cash and Bank

Sub-system:

Ref: **CASHHID**

HAZARDS	POSSIBLE CONSEQUENCES	EXPECTED CONTROLS/ COUNTERMEASURES	ICQ
AUTHORITY			
A1 Procedures do not comply with legislation and the organisation's policies and procedures	<ul style="list-style-type: none"> Confusion over responsibilities Duties duplicated or not undertaken Inconsistencies in treatment Adverse publicity 	<p>A1.1 The organisation's constitution and financial regulations/rules specify cash/income receipt and banking procedures and responsibilities</p> <p>A1.2 Written cash and banking procedures have been established</p>	1
OCCURRENCE			
B.1 There is no documentary evidence to support transactions	<ul style="list-style-type: none"> No records to refer to in case of query Unrecorded income is misappropriated Income cannot be allocated to the correct payee or account Unable to identify who was responsible for receiving income Bankings cannot be reconciled Overs and unders cannot be identified 	<p>B1.1 All transactions are recorded including the payers and reference numbers</p> <p>B1.2 Cashiers are required to sign for all internal transactions</p> <p>B1.3 Receipts are required to be issued by the collectors responsible for banking income</p>	2
COMPLETENESS			
C.1 Transactions are not recorded	<ul style="list-style-type: none"> Income is lost or misappropriated Income is unidentifiable Unnecessary recovery action taken Adverse customer and media criticism Embarrassment to the organisation 	<p>C1.1 Financial regulations require that all income is recorded</p> <p>C1.2 Regular reconciliations are undertaken to ensure transactions are bona fide</p>	2 - 4
C.2 All transactions are not processed	<ul style="list-style-type: none"> Income is lost or misappropriated Lesser sums are banked than collected Adverse customer and media criticism Embarrassment to the organisation 	<p>C2.1 Controls ensure that all income received is processed and banked in full</p> <p>C2.2 Regular independent reconciliations are undertaken</p>	2 - 4
C.3 All relevant records and accounts are not updated	<ul style="list-style-type: none"> Account balances do not agree to the financial information system (FIS) Different information held on systems Incorrect and duplicate amounts shown Financial records are incorrect Adverse publicity 	<p>C3.1 All accounts issued have a unique reference number and show the financial code to which income is to be allocated</p> <p>C3.2 Controls ensure that the cashiering system and the FIS are correctly updated</p>	2 4

Internal Control Questionnaire:
Cash and Bank

Sub-system:

Ref: **CASHICQ**

HID	ICQ	CONTROL	Answer		COMMENTS AND	CT
REF	REF		Y	N	NOTES	
1						
<i>Policies and procedures</i>						
A	1.1	Do the organisation's constitution and financial regulations/rules cover cash/income receipt and banking responsibilities?				1.1 - 1.4
	1.2	Has the organisation established: <ul style="list-style-type: none"> written cash and banking procedures an office manual? 				1.1 1.4
2						
<i>Transactions</i>						
B C D	2.1	Do financial regulations and/or procedures require that transactions must comply with its constitution, financial regulations, policies and procedures?				2.1 - 2.7
F	2.2	Are payers advised how and where to pay?				2.2
	2.3	Are financial stationery and records controlled and stored securely?				2.3 - 2.6
	2.4	Have separation of duties been established in the cash and banking process?				2.7 2.8
3						
<i>Postal remittances</i>						
C E	3.1	Is all general post required to be opened on the day it is received and in the presence of two or more staff?				3.1
F	3.2	Do controls ensure that unidentified remittances and suspense items are promptly recorded and managed?				3.2 3.3
	3.3	Are independent checks undertaken to assess the effectiveness of procedures?				3.4
4						
<i>Income reconciliation</i>						
C	4.1	Are cashiers required to balance their takings at least daily?				4.1 - 4.4

Compliance Tests Papers:
Cash and Bank

Sub-system:

Ref: **CASHCTP**

ICQ	CT	COMPLIANCE TEST	WORKING
REF	REF		PAPERS
	1	<i>Policies and procedures</i>	
1.1 1.2	1.1	Review the organisation's constitution, financial regulations/rules, procedures, and office manual and check that they specify clearly the responsibilities and procedures for cash/income collection and banking	
1.1	1.2	By computer enquiry obtain a listing of all users who have access to the cashiers computer system and check that: <ul style="list-style-type: none"> • each is a current employee • the facility to input is restricted to cashiers • only senior cashiers are able to make adjustments to make the tills balance <ul style="list-style-type: none"> • other access levels are appropriate to the individual's duties • the receipt recording part of the system is not accessible to cashiers <ul style="list-style-type: none"> • all other terminals have ancillary access only 	
1.1	1.3	By enquiry with the cashiers system administrator check that there are adequate procedures in place to ensure that: <p>a user access rights and levels are regularly reviewed (eg every six months)</p> <p>b when users change jobs or leave, the notification process ensures the administrator is immediately notified so that access rights are: <ul style="list-style-type: none"> • removed for leavers • changed for transferees as appropriate </p>	
1.1 1.2	1.4	Select a sample of employees from the listing obtained at CT 1.2 above and by enquiry with them check that they are aware of and have copies of the organisation's constitution, financial regulations/rules, written procedures and office manual	
	2	<i>Transactions</i>	
2.1	2.1	Review a sample of: <ul style="list-style-type: none"> • internal and bank paying-in slips • manual and electronically produced receipts and check that they: <p>a are in the organisation's approved format</p> <p>d the transaction numbers are re-set to zero each day independently of the cashier</p> <p>e transaction numbers run consecutively</p>	

EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2007 – 2008.

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 31st December 2007.

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 2005/06 and 2006/07 Internal Audit reports issued prior to December 2007. 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 31st December 2007. 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. There is an additional column showing when those actions not yet implemented had been reported to previous Audit Committees. 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 2007. The second document lists action points outstanding from the previous Audit Committees. These are points that should have been implemented by 30th September 2007 for the last Audit Committee. The same layout has been used for the reporting of External Audit report recommendations in Appendices 3 & 4.

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 for external audit.

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)

15 February 2007

Internal Audit Report Follow up - Summary

Reports With Recommendations Due From October to December 2007

Audit	Report Number	Points to be actioned by 31 December 2007	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2006/07					
Investigation at Ellis Lodge	(April 2007)	5	5	0	
Review of Business Continuity	(February 2007)	1	1	0	
Review of Car Allowances	(November 2006)	3	3	0	
Review of Community Planning	(May 2007)	3	3	0	
Review of Tendering Procedures	(June 2007)	1	0	1	E 1
2007/08					
Review of School & Public Transport 2007	(August 2007)	2	1	1	D 3
Review of Roads & Amenity Services - Waste Management Admin	(September 2007)	4	0	4	C1,2,2,&4
Review of Council & Committee Decisions	(November 2007)	3	0	3	F3,5&7
Total		22	13	9	

Points Outstanding From Previous Audit Committee

Audit	Report Number	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2007	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
2006/07						
Review of Primary School funds - Lochgilphead & Park Primary Schools	(February 2007)	1	1	1	0	
Review of Risk Management Framework	(December 2006)	3	3	2	1	B 9
Review of Council Tax and Non Domestic Rates	(December 2006)	1	1	0	1	A 3
Total		5	5	3	2	

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
A - REVIEW OF COUNCIL TAX AND NON-DOMESTIC RATES	3 MEDIUM	<p>Observation - The password for the administrator account for the Council Tax system has not been changed since the system was installed. Risk</p> <p>- There is a risk that the account could be compromised and that unauthorised actions are made within the Council Tax system. Recommendation - The administrator account is also used as a system account to perform certain operations within the application. Changing the password may affect the operation of the system. We would recommend that the administrator password should be changed, but this should be done in consultation with Northgate to avoid any interruption in service.</p>	<p>We are aware of this issue and have sought to change the password for the administrator account on previous occasions but have been advised against this by Northgate. This issue applies equally to other Northgate users across the country and as far as the service is aware has not caused a problem at those sites. It is accepted that this is a low risk but contact will be made with Northgate to ascertain whether previous difficulties still remain.</p>	Council Tax Supervisor	30 April 2006 30 November 2007	March 2008	<p>We have consulted with Northgate and will change this after annual billing in February – there are a number of key jobs that require to be run under this password and it is to high risk to change this before then.</p> <p>50% complete</p>

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
B - REVIEW OF RISK MANAGEMENT FRAMEWORK							
9	FUNDAMENTAL	Operational Risk Registers not prepared	The Operational Risk Registers are to be prepared	Head of Democratic Services and Governance as Lead Officer on The Risk Management Group and Chair of LCGs	31 March 2007 31 December 2007	February 2008	The Corporate Risk Register including both the Strategic and Operational risks has been approved by SMT. A review of the registers is nearly completed with a view to transferring it onto Pyramid (*the Performance Management system). It should be available to be transferred by end February. 90% complete
C - REVIEW OF ROADS & AMENITY SERVICES - WASTE MANAGEMENT ADMIN							
1	MATERIAL	1. 17 of 49 Driver's Daily Defect Check records were missing. 2. Of 32 records 25 were incomplete. 3. 53 entries which should have been recorded were not. 4. Drivers were confused as to whether the form was a vehicle or driver related form.	1. The Driver's Daily Defect Check Record should be retained in each vehicle and treated as relating to that vehicle only. 2. All defects, and not just those found in the daily check, pertaining to the vehicle should be recorded by noting the Driver's Defect Record Book Form No. on the appropriate day. 3. When the repair has been completed the blue copy of the Driver's Defect Record Book signed off by	Area Supervisors	30 November 2007	30 April 2008	The Action Plan Numbers 1-4 are all covered by the following : a) Stewart Turner (Head of Roads and Amenity Services) to confirm with Area Managers by 29 th Feb that existing procedures be followed in relation to daily checks, defect reporting and drivers hours (any

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
			<p>the Workshop should be attached to the Vehicle Daily Defect Check Record form and returned to the Supervisor at the end of each month. 4. Each month the Supervisor should ensure that he receives a Vehicle Daily Defect Check and Defect Record for each vehicle together with the blue copy Defect Record Book Form and retain these in an individual vehicle file. This will provide a full defect/downtime record for each vehicle.</p>				<p>lunch breaks should be recorded as duty).</p> <p>b) Peter Robinson (Fleet Management Transport Manager) to ensure Drivers to ensure Drivers guide booklet produced in 2005 by Eddie Shaw (Departmental Health and Safety Officer) be issued annually and incorporate any revisions in conjunction with Eddie Shaw .</p> <p>Revisions to include Telematics information and to be updated by 30th April.</p> <p>c) Peter Robinson to produce monthly driver daily check records summary by 30th April.</p> <p>80% complete</p>

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
2	MATERIAL	1. Driver's Record Books weekly sheets are not always completed. 3. The Driver's Record Books at Helensburgh & Lomond did not record the time the driver went off duty	1. All operatives who are required to drive a Council vehicle even if intermittently should be issued with a Driver's Record Book to be completed in respect of any week in which he is required to drive. 3. Driver's at Helensburgh & Lomond should record the actual time they go off duty in the Driver's Record Book thus providing a record of the effect of Task and Finish.	Area Supervisors	30 November 2007	30 April 2008	See above.
2	MATERIAL	2. There is an inconsistency in the treatment of the lunch break in the completion of Driver's Record Books.	2. The way in which lunch is to be recorded or omitted should be decided by management and driver's instructed accordingly in order that consistency of treatment is achieved.	Assistant Operations Manage - Waste	30 November 2007	30 April 2008	See above.
4	MATERIAL	It is some 5 years since the waste collection routes were determined and timed and in that time it is probable that significant changes have occurred e.g. new house building, the introduction of wheelie bins.	The waste collection routes should be reviewed and assessed at least every 4 years or earlier if significant change occurs in the interim.	Area Managers	31 December 2007	30 September 2008	Responsibility for Waste Collection has now moved to the Head of Facility Services per the option appraisal action plan. Cowal and Helensburgh and Lomond routes have recently been reviewed and

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
D - REVIEW OF SCHOOL AND PUBLIC TRANSPORT 2007							
3	MATERIAL	A review of the Guideline Criteria for Supporting Bus Services has not been carried out.	A Paper reviewing the guideline Criteria should be submitted to the Executive Committee as soon as possible.	Transportation & Infrastructure Manager	30 November 2007	30 April 2008	A report will be taken to the Executive Committee when the outcome of the transfer of ring fenced grants is known. 40% complete
E - REVIEW OF TENDERING PROCEDURES							
1	FUNDAMENTAL	The Council's Contract Standing Orders did not give any guidance as to the action to be taken when only one tender is received for a project.	The Contract Standing Orders within the Council's Constitution should be amended to give clear guidance to staff as to the steps to be taken.	Head of Democratic Services & Governance	31 October 2007	July 2008	The update of the Council Constitution has been rescheduled. Given the ongoing debate around planning delegations this work will be included in the revised constitution. 95% complete

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
F- REVIEW OF COUNCIL & COMMITTEE DECISION FOLLOW-UP							
3	MATERIAL	Progress of Traffic Regulation Orders needs to be accelerated	There are approximately 30 TROs still outstanding. Four of these are with Legal Services. Roads and Amenity Services should meet regularly with Legal and Protective Services to ensure that Traffic Regulation Orders are timeously progressed. Legal Services will review the 4 that they have still outstanding by 30 November 2007.	Head of Roads & Amenity Services and Head of Legal & Protective Services	30 November 2007	30 September 2008	Currently 34 outstanding with 5 at Legal. Officer responsible recently back from sick leave, but he advises that process is progressing at an acceptable rate and is subject to ongoing monitoring. 40% complete.
5	MATERIAL	Progress of Traffic Regulation Orders needs to be closely monitored.	The Head of Roads and Amenity Services when reviewing the monthly progress reports will address any issues applying to his services. Other issues will be taken up with the Head of Legal & Protective Services to progress.	Head of Roads & Amenity services	30 November 2007	31 March 2008	Advised monitoring to be introduced with Head of Roads & Amenity reviewing. Pyramid to be utilised currently at implementation stage. 85% complete

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
7	MATERIAL	Sale of land at Balliscate Industrial site has been ongoing since 1999 and needs to be concluded.	Legal Services to get firm's solicitors to provide conveyancing drafts in order that settlement can be made.	Head of Legal & Protective Services	30 November 2007	March 2008	Final revisions to the conveyancing drafts should be completed within the next 7 days. Purchasers' solicitors have now confirmed in whose name title to the property is to be granted and are to confirm when the funding will be available and settlement date. Some additional documentation to be provided by Council and now being sought including a further title plan to take account of change in sewer route. Provided missives can now be concluded, settlement expected within the next 3 weeks or so." 80% complete

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External Audit Report Follow up - Summary

External Audit Reports With Recommendations Due From October to December 2007

Audit	Points to be actioned by 31 December 2007	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Total	0	0	0	

Points Outstanding From Previous Audit Committee

Audit	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2007	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Education Department - Computer Services Review	1	1		1	A6
Financial Strategy	1	1		1	B6
Total	2	2	0	2	

APPENDIX 4

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
A - AUDIT SCOTLAND - AUDIT SCOTLAND - EDUCATION DEPARTMENT - COMPUTER SERVICES REVIEW							
6	HIGH	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.	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.	ICT Development Manager	31 December 2006 31 July 2007 14 November 2007	31 May 2008	The technical configuration of the LAN equipment to facilitate this has proved to be beyond the knowledge and experience of the National Grid for Learning Support Team. As a result of this, a Technical consultancy session has been arranged with 3COM on 8 th February 2008 to resolve the issue. The first school where the technology will be deployed will be Hermitage Academy as part of the site commissioning work. The facilities will then continue to be deployed across the Secondary schools by 31 st May 2008. 20% complete
B - AUDIT SCOTLAND- FINANCIAL STRATEGY							
6	n/a	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	Develop a continuing and structured staff development programme on financial issues.	Head of Strategic Finance	30 June 2006 31 December 2007	September 2008	An initial assessment has been completed of the process which will be further informed by the Internal Audit major Capital Audit. It is assessed that taking an

APPENDIX 4

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
		<p>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>overall view of all the various elements involved in developing the Asset Management and Strategy. 50% complete.</p>

Risk Management and Business Continuity Strategy

1 INTRODUCTION

- 1.1 The Governance and Risk Manager has been instructed to provide an updated report on the progress being made with the implementation of the Council's Risk Management and Business Continuity Strategy.

2. RECOMMENDATIONS

- 2.1 The Committee note the terms of this report.

3. DETAIL**3.1 Risk Register**

The format of the Council's Risk Register has been changed and each Service will complete its section of the register and have it available for transfer to Pyramid, hopefully by the end of February.

There has been a slight delay in having the information transferred into Pyramid, however it is the intention of the Services to continue with the Excel format until the input into Pyramid is complete.

3.2 Business Continuity

The SMT has approved the instruction of Glen Abbot Ltd to assist in the further development of Business Continuity through to the Council being compliant with the Civil Contingencies Act by August 2008.

The Activity Questionnaires have been returned by each department having been approved by the Heads of Service and Glen Abbot are pleased with the quality of the responses throughout the Council. The critical activities list will be approved by the SMT on 19th February. That will then complete the first stage of the process (programme initiation and management).

There is further training to be delivered by Glen Abbot regarding the next stage of the process (the business impact analysis) and this is to take place on 20th/21st February. The target date for the return of BIA templates from each service is end March.

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ARGYLL AND BUTE COUNCIL
CHIEF EXECUTIVE'S UNIT

AUDIT COMMITTEE
7 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 2007, consisting of the exceptional performance sections only.

2 RECOMMENDATIONS

It is recommended that the Audit Committee

- notes the Service performance in the report and
- considers the style and content of the report and makes suggestions about improvements to this report to assist the Audit Committee in considering performance matters.

3 DETAIL

Service Plans include a level of detail for each Priority, essentially the third tier management level across the Council. 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. Where explanations for exceptional performance have been provided by Services they are repeated here.

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 2007

This paper draws together all the exception reports from the quarterly Service performance reports for the third quarter 2007/08. 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

Communications – no report submitted

Personnel Services – no exception reports

- ✗ The Statutory PIs relating to Equalities demonstrate a very low proportion of women in the top 2% and 5% in terms of pay scales, although no targets have been set to address this imbalance. The method of calculation does not allow trend analysis to be undertaken, as the number of all employees in the top 2% of earners has leapt from 71 to 100 in a 3-month period.
- The report contains a very detailed presentation of sickness absence figures and costs across the Council. There is insufficient resource in the Policy and Strategy team to analyse or summarise this information.

Policy and Strategy

- ✗ Proactive work is still suffering due to pressures on the small team. *This impacts on all aspects of the team's performance.*

Strategic Finance – no exception reports

Community Services

Adult Social Work

- ✗ 321 cases have no allocated worker
- ✓ The number of people awaiting funding for a care package is reducing (Nov 07 = 51; Dec 07 = 27)
- ✗ 46 adults with a learning disability have waited longer than 8 weeks for a Single Shared Assessment (SSA)
- ✗ 43 adults with a learning disability are still awaiting a service following SSA
- ✗ 61 adults with mental health problems have waited longer than 8 weeks for assessments
- ✗ 42 adults with mental health problems have no allocated worker

Community Regeneration

- ✓ Reduction in use of bed and breakfast accommodation in homelessness service
- ✗ The average time to completion of duty in the homelessness service is around 32 weeks. Last year the average was around 16 weeks.
- ✓ Increase in use of assistive technology packages

Planning and Performance - no exception reports

Children and Families

- ✗ 18% of children (170) on the Carefirst system have no allocated worker

Education

- ✓ 3 members of staff have achieved the standard for headship (SQH)
- ✓ A large number of schools have achieved Health Promoting, Environmental or Quality awards

Corporate Services

ICT and Financial Services

- ✓ Further improvements to ICT performance reporting. Now showing targets and strong performance.
- ✗ 12 month delay to e-Planning system due to national programme delays.
- ✓ Council Tax collection through Direct Debit now exceeds the 60% target.
- ✗ The number of new Benefit claims outstanding longer than 50 days has improved slightly, but still stands at over 20% against a target of 9%.
- ✓ Cashable savings of £242,500 reported from Exchequer Services.

Legal and Protective Services

- ✗ Underperformance against target in “approved premises” inspections due to competing priorities – e.g. Connect Festival
- ✓ Prompt response to domestic noise complaints
- ✗ Non-domestic noise complaints response time increased
- No performance data provided against Animal Health and Welfare. (same comment as previous 3 quarterly reports)

Democratic Services and Governance

- A mixed report from the Customer Service Centre with a large increase to the number of calls taken but a slight reduction in quality of service.
- ✗ 80% of Freedom of Information requests have been completed within the statutory 20 day period.

Development Services

Transportation and Infrastructure

- ✗ Overstretch in the development of Transportation Policy has caused delay with a number of policy developments

Planning

- ✓ There has been continued improvement in the response times for building warrants and completion certificates.
- ✗ The vacancy in the Access manager’s post is causing delays in the Core Path Plan

Operational Services

Roads and Amenity Services

- This Service has started making full use of the Pyramid performance management system. Whilst still in its infancy, the system demonstrates the immediacy of on-line information, providing the user with access to the full range of performance data to allow personalised analysis.
- ✗ Some delays in returning Roads Planning issues to Planning Services (planned to complete within 14 days of receipt).

Facility Services

- The Facility Services quarterly report contains a great deal of detail across this very operational service. There is insufficient resource in the Policy

and Strategy team to undertake a detailed analysis and report the exceptional performance. Dialogue with the Head of Service indicates that the service uses this report operationally. (same comment as previous quarter)

- A new feature of this report is the inclusion of Asset Management information for shared office accommodation and leisure services.

INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2007 - 2008

1. SUMMARY

The Code of Practice for Internal Audit in Local Government (the Code) issued by CIPFA in 2000 sets out good practice in delivering internal audit services. The Code was revised in 2006 and Grant Thornton UK LLP, in May 2007 carried out a Code compliance review resulting in a report. One resultant recommendation required that internal audit reports be reported to the Audit Committee. Attached are report summaries and action plans from recent audits. See Appendix 1.

2. RECOMMENDATIONS

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

3. DETAILS

3.1 Set out below and in the attached Appendix is the Executive Summaries and Action Plans where applicable from finalised audit work. The Action Plans detail only those recommendations where Internal Audit in agreement with management have classified the finding either Fundamental or Material. Therefore Minor findings and recommendations have been removed. The contents of this report will therefore complement the External & Internal Audit Follow Up report provided to the Audit Committee on a quarterly basis.

3.2 As at the 1st of February 2008, of 15 core financial systems audits set out in the adjusted audit plan presented on the 14th of December 2007, 9 have been completed. In total, 6 final reports have already been presented to the Audit Committee. A further report is attached for this reporting period:

- Contract Hire & Operating Leases.

The following audits are at draft stage and the reports will be presented to the Audit Committee after a final meeting is held with management. The audits are:

- General Ledger Operations; and
- Purchasing ICT/eProcurement.

3.3 As at the 1st of February 2008, of 14 non-financial audits set out in the adjusted audit plan of the 14th of December 2007, 10 audit areas have been completed. A total of 5 final reports have already been presented to the Audit Committee. A further 4 reports are provided for this reporting period, they are:

- Community Services Education NPDO – Contract Monitoring;
- Development Services – Planning & Building Warrants ICT Applications;
- Corporate Services – Risk Management Framework; and
- Chief Executives Unit – Community Planning Partnerships.

One audit, Community Services - Disclosure Scotland has been finalised and a paper is to be presented to the Strategic Management Team (SMT) meeting on 19th February 2008. Thereafter, the report summary will be presented to the Audit Committee.

4. CONCLUSIONS

Executive summaries and action plans from final reports will be submitted 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. 11 February 2008
11Febfinalreport11Feb.

APPENDIX 1

- Contract Hire & Operating Leases;
- Community Services Education NPDO – Contract Monitoring;
- Development Services – Planning and Building Warrants - ICT Applications;
- Corporate Services – Risk Management Framework;
- Chief Executives Unit – Community Planning Partnership.

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Final

Internal Audit Report

Chief Executives Unit - Strategic Finance

Review of Contract Hire and Operating Leases 2007/08

December 2007

Ian Nisbet- Audit Manager
David Strong - Auditor

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APPENDICES

1	DETAILED FINDINGS
2	ACTION PLAN

1. BACKGROUND

- 1.1 This report has been prepared following an Internal Audit review of Contract Hire and Operating Leases as part of the 2007-08 Internal Audit programme. This years audit has concentrated on reviewing and assessing actions taken to implement recommendations in the 2006/07 report and to update the position regarding other matters arising from that audit.
- 1.2 The Council leases vehicles, plant, equipment and property. The annual rental payments in 2006/07 amounted to some £2.04million. Of this amount £1.76million was classed as operating leases, where the main risks and rewards associated with ownership remain with the lessors rather than being taken on by the Council. The introduction of the Prudential Code for Capital Finance has meant that the distinction between different funding streams is far less important than it was under the Capital Consent regime, but management control over leasing remains crucial to ensure that value for money is obtained.
- 1.3 As a result of our audit work some findings were generated. These findings have been agreed with management and outlined in this report.

2 AUDIT SCOPE AND OBJECTIVES

- 2.1 The specific objectives of the audit were to assess and report on whether progress has been made in adopting recommendations arising from the 2006-2007 audit, assess any actions implemented, and obtain an update on the following matters:
 - Whether vehicle drawdown reviews are now frequently carried out;
 - Whether the Chrystal Consulting contract was renewed for a further year to March 2008, and if so what the arrangements are likely to be for the period following;
 - The cost savings calculated when Chrystal Consulting are involved in negotiating the cost of damages when returning vehicles to the lessor;
 - The outcome of the arrangements for the Cuan Sound crossing in view of the need to replace the existing ferry;
 - Whether networking of copiers has improved; and the advantages gained from making use of available advanced photocopying facilities;
 - Whether arrangements for checking photocopier invoices at schools have been improved;
 - Whether software recently purchased to carry out an analysis of printing and copying at Kilmory has proved useful;
 - What arrangements are in place to carry out a review of savings made from the Cannon contract; and

- Whether co-ordination of purchase/lease arrangements has improved;

2.2 The adequacy of the arrangements to meet the objectives has been assessed using a grading of one to five ticks (✓ 's). Five ticks indicate good arrangements and one tick inadequate arrangements are in place. The assessment is set out in section 6 (figure 1). The assessment has been made by considering the value and significance of the findings and recommendations.

3 AUDIT APPROACH

3.1 The following approach was used to satisfy the objectives of the audit:

- Discussions were held with the Development Services Departmental Finance Manager and the Senior Accountant – Strategic Finance (Development Services Finance Team), to establish progress made since last year, and the current position regarding other matters raised in the previous year by Internal Audit;
- Discussions were held with both the Exchequer Manager to establish the position regarding actions agreed last year, and with Education Service purchasing staff with regard to the contract for the supply of photocopiers, which came into operation in July 2005;
- A discussion was held with the Fleet Manager regarding the control of vehicle leases;
- Testing was carried out on arrangements relating to the possible purchase/lease by the Council of a ferry boat;
- The current position regarding the networking of photocopiers was obtained;
- All findings/matters arising were raised and discussed with the Development Services Finance Manager and the Exchequer Manager ;
- A draft report was prepared and a copy passed to the relevant Heads of Service;
- Any comments were included in the final report, which was then passed to the Chief Executive;
- The final report includes an action plan, which lists any actions agreed with management. Some of the actions arising from the audit are not directly leasing matters, but have been included in the action plan because of their perceived importance.

4 SUMMARY OF MAIN FINDINGS

Follow up of 2006/07 recommendations

- 4.1 During the previous years audit no evidence was found of a check being carried out on direct debits paid to leasing companies for vehicles. However, this year a reconciliation was carried out by Strategic Finance (Development Services Finance Team) as part of completing the year end accounts. Provided this reconciliation is carried out each year this is an acceptable control.
- 4.2 Draft guidance has been issued for consultation to services on the need for Strategic Finance to be involved where decisions are required as to lease or purchase. This guidance is due to be finalised and issued in mid January 2008.
- 4.3 Similarly draft guidance has been issued for consultation to services on the need to use the Council's lease advisors, Chrystal Consulting, to prevent unnecessary payment for advice. This guidance is due to be finalised and issued by mid January 2008.
- 4.4 Internal Audit found that the Master Agreement for vehicle leasing has been amended to include an anti-bribery clause reflecting the requirement in the current Contract Standing Orders.
- 4.5 The contract for supply of photocopiers on a lease or purchase basis is an endorsed contract. Using another supplier thus leads to a risk of prosecution for the Council. Occurrences of this practice were reported to the Procurement Project Board in October 2005, and Internal Audit found evidence of another non-compliant purchase. It was recommended in last years Internal Audit report that clear written guidance detailing the risks, and any implications for the member of staff using another supplier, be issued to all purchasing staff, including Education Service staff. The guidance was also to include the need for all orders to be placed with contracted suppliers, and to be placed via PECOS. This guidance is to be drawn up by the Exchequer Manager and put before the Procurement and Shared Services Board at its meeting on 18 January 2008, then issued by the end of January 2008. The guidance may have to be issued via "postmaster" as apparently there is not a full list of staff in place that are able to place orders.
- 4.6 It would be more satisfactory if the guidance could be better targeted and perhaps steps should be taken to persuade the Service Directors via their Heads of Service to nominate specific officers to be responsible for all ordering whether by PECOS or otherwise. Instructions could then be issued to all staff that orders can only be placed via those officers. Any officer placing orders outwith those arrangements could be subject to disciplinary action. If this action was implemented the Council would be better placed to insist on the use of PECOS.
- 4.7 The photocopier contract costs more than £100,000 annually for rental alone, with maintenance charges perhaps being as much again. Savings are expected to accrue from improved use of staff time and rationalisation of

printing. It may as yet be too early to ascertain the extent of savings, but it is understood that an exercise recording print patterns in Kilmory has been completed and the results analysed. An internal print strategy is being developed, and a report is to be issued by the Accounting & Best Value Supervisor, ICT & Financial Services, which will assess the overall value for money of the new contract based on the information available to date. This report is to examine any barriers to achieving value for money, both to inform the current contract and also any future ones. It will also be necessary at some future time to assess the impact of the Canon photocopiers on the Education Service budgets.

Cuan Sound Crossing

- 4.8 Currently the Cuan Sound to Luing is crossed by a ferry boat. The boat is 35 years old and becoming more and more expensive to maintain. It has therefore become now necessary to consider the options available to the Council to maintain links with Luing.
- 4.9 A Consultant was engaged to investigate the various options to maintain the link. The Consultant produced a Scottish Transport Appraisal Guidance (STAG) report in April 2007. This included the generation of a range of options, an initial appraisal of the options and a detailed appraisal of the short – listed options. The Consultant concluded that the best option was the construction of a high level bridge.
- 4.10 The STAG appraisal report has been put to the Scottish Government for its review and decision. The Council have been unable so far to obtain timescales from Government as to when a decision will be made. The best estimate currently is that it is unlikely to be before the end of 2007. Little more can be done until that decision is reached, and there is currently therefore no programme of action in place.
- 4.11 If the bridge option is not accepted then the likely plan is to revert to constructing new slipways and leasing or purchasing a ferry boat. Best estimates of timescales assuming the STAG decision is reached by say December 2007 are:-
- Up to 7 years for completion of bridge; or
 - Up to 5 years for provision of ferry.
- 4.12 Considering the age of the current ferry boat and the long timescales involved in implementing whatever decision is taken the Council should be preparing plans as to how to deal with the possibility of expensive repairs and long periods with the boat being out of service. Also in view of a reasonable possibility that the bridge option may not be accepted by Government, the Council should be considering taking steps to plan for the purchase or lease of a ferry boat, and the other implications flowing from that.
- 4.13 The new Capital Programme and Management Guide will need to be followed whatever course of action is planned.

Networking of Photocopiers / Advantages Gained from Advanced Photocopying Facilities

- 4.14 It was suggested last year that once the new Canon contract had been in place for say 2 years an exercise would be carried out to ascertain any benefits or savings obtained from the new contract. The Exchequer Manager says that the main savings hoped for from the new contract are through networking photocopiers throughout buildings and directing expensive desktop prints to specific machines. Manse Brae and Argyll House, Dunoon were given as examples where this has happened.
- 4.15 An exercise has been completed at Kilmory Head Quarters to record print patterns on desktop printers and the results analysed. A print strategy is being prepared and will be put in place for the whole Council.
- 4.16 Internal Audit has also been informed that networking of copying facilities is currently ongoing in schools. However the ICT Development Manager involved has informed Internal Audit that "The only way of getting a definitive statement regarding this would be to contact each school directly and find out how many, if any, printers/copiers they have. I have a team of technicians who offer support to the Primary schools and they have certainly been assisting by arranging network cabling for schools, so there has been some progress with this, but I can't say how much. The Secondary Schools have their own ICT support technicians". It would seem therefore that it will be necessary to review the position regarding networking of printing at schools, to prepare an implementation programme action plan and then to assess the impact of networking on school budgets.
- 4.17 Once all of this has been concluded it should then be possible to estimate the potential savings from the use of the advanced facilities available throughout the Council based on the experience gained from Manse Brae and Argyll House and the print usage and estimated savings at Kilmory and in individual schools. A report is currently being prepared by the Accounting & Best Value Supervisor, ICT & Financial Services, as explained at paragraph 4.7 above. The report will cover expected savings to date based on the current information available.

5 ACTION PLAN

- 5.1 The action plan attached at Appendix 2 has been compiled with the co-operation and agreement of management.
- 5.2 Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management are expected to have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

- 5.3 A system of grading Internal Audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification is set out below:-

Fundamental - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Material - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Minor - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

6 OVERALL CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES

- 6.1 The Auditee sections have a good working knowledge of the processes involved. However, during the course of the audit, some areas were identified as requiring some improvement and therefore, various recommendations have been made. These have been discussed with management and an action plan agreed. (Any issues not accepted by management are done so with their knowledge and acceptance of risk and control weakness.)

6.2 Figure one below sets out a summary of the overall conclusions arising from the audit in terms of the specific objectives detailed at section 2.1

Figure 1: Summary of overall conclusions

Specific objectives	Assessment
To Review whether progress has been made in adopting recommendations arising from the 2006-2007 audit	✓✓✓✓
To review whether action has been taken to carry out vehicle reviews more frequently ;	✓✓✓✓✓
To review whether arrangements are in place for renewal of the Chrystal contract in March 2008	✓✓✓✓
To review whether the costing of savings calculated when Chrystal are involved in negotiating the cost of damages to vehicles with the lessor is adequately controlled	✓✓✓✓✓
To review whether arrangements are in place for the renewal of the Cuan Sound transport link	✓✓✓✓
To review whether networking of copiers has improved and whether use is being made of advanced photocopying facilities available and the advantages gained	✓✓✓
To review whether arrangements for checking photocopier invoices at schools have been improved	✓✓✓
To review whether software recently purchased to carry out an analysis of printing and copying has proved useful	✓✓✓✓
To review whether there are arrangements in place to carry out a review of savings made from the Cannon contract	✓✓✓
To review whether co-ordination of purchase/leasing arrangements has improved	✓✓✓✓
<p>Key:</p> <ul style="list-style-type: none"> ✓✓✓✓✓ - Arrangements accord with good practice and are operating satisfactorily. ✓✓✓✓ - Arrangements accord with good practice, but certain minor matters noted as requiring improvement. ✓✓✓ - Adequate arrangements in place, but certain matters noted as requiring improvement. ✓✓ - Arrangements in place offer scope for substantial improvement. ✓ - Concern is expressed about the adequacy of the scope of these arrangements. 	

7 ACKNOWLEDGEMENTS

- 7.1 Thanks are due to all the staff who assisted in the completion of the Internal Audit report with special thanks to the Development Services Finance Manager and his staff and the Exchequer Manager and his staff for their co-operation and assistance during the audit and the preparation of the report and action plan.
- 7.2 Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the scope in paragraph 2.1 of this report. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.
- 7.3 This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent. .

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	Appendix 1 PARA GRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	Para 1.10	Material	Staff authorising expenditure are required to follow the Council's Constitution, including the Contract Standing Orders, which means that they must use contracted suppliers. However, the risks inherent in using an unendorsed supplier are not spelt out, nor is it clear that disciplinary procedures could be invoked if staff do not follow the Constitution.	Written instructions to be issued to all staff that can authorise expenditure from external suppliers, detailing the requirement to follow Contract Standing Orders. This means that orders must only be placed with contracted suppliers when available and PECOS must be used for all such orders. Where there are no contracts in place competition should be ensured for any significant spends. A set of instructions will be drawn up and put before the Procurement and Shared Services Board at their meeting on 18 January 2008.	Exchequer Manager	31 January 2008

ACTION PLAN NO	Appendix 1 PARA GRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
2	Par. 1.12 & Para 1.28	Material	The photocopier contract is for more than £100,000 annually for rental alone, with maintenance charges perhaps being as much again, thus committing the Council to considerable expenditure for the next five years. This expenditure should however be offset by the potential savings to be made from use of the advanced facilities available from the new machines. It is however necessary for the Council to monitor the savings gained.	A value for money review is to be carried out on completion of the internal print strategy and implementation of any recommendations.	Exchequer Manager	30 June 2008
3	Para 1.26	Material	Considering the age of the current ferry boat (35 years) and the long timescales involved implementing whatever decision is taken, perhaps the Council should be preparing plans as to how to deal with the possibility of expensive repairs and long periods with the boat being out of service.	A risk management exercise to be considered prescribing the action to be taken in the event of the "MV Belnahua" ferry boat being out of service for a long period.	Head of Roads and Amenity Services	immediate

ACTION PLAN NO	Appendix 1 PARA GRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
4	Para 1.26	Material	In view of there being a reasonable possibility that the bridge option for the Cuan Sound crossing may not be accepted by the Scottish Government the Council should be considering taking steps to plan for the lease or purchase of a ferry boat and the other implications flowing from that.	Steps should be commenced by the Council to decide the action to be taken in the event of the Scottish Government deciding not to fund a high level bridge.	Director of Operational Services	Immediate
5	Para 1.31	Material	Operational Services had produced an Internal Waste Prevention Action Plan which has fallen behind with its original implementation dates	Management is now taking steps to put the action plan back on course	Head of Roads & Amenity Services	Immediate
6	Para 1.32	Material	The advantages gained from networking of photocopiers in schools are not fully known.	The networking position in schools is to be reviewed and if necessary an implementation programme and action plan prepared. An assessment should also be made of the likely impact on school budgets	Head of Secondary Education & Pupil Support & Head of Pre School & Primary Education	March 2008

ACTION PLAN NO	Appendix 1 PARA GRAPH	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
7	Para 1.34	Material	The potential savings from the use of the advanced networking facilities available throughout the Council based on the experience gained from Manse Brae and Argyll House, the print usage and estimated savings at Kilmory and the savings in schools have not yet been estimated and reported to management.	Once the potential savings have been estimated a report is to be produced for management forecasting the potential savings. This report would need to be followed up with actual savings achieved. Such reports would be useful evidence towards showing Audit Scotland that the Council is achieving BV.	Head of ICT & Financial Services Plus Head of Democratic Services & Governance	Estimated savings reported by 31 March 2008



FINAL

Internal Audit Report

Community Services Department

Review of NPDO Schools

Auditor
Internal Audit Manager

Charles M Soane BCom CA
Ian Nisbet MBA MSc ACMA

February 2008

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APPENDICES

1	DETAILED FINDINGS
2	ACTION PLAN

1. BACKGROUND

- 1.1 This report has been prepared as a result of the Internal Audit review of the NPDO Schools Project as part of the 2007/08 Internal Audit programme. We identified current practices and critically evaluated these having regard to the NPDO contract.
- 1.2 Argyll & Bute Council's NPDO model is the first of its kind in Scotland and has achieved a national award for innovation. It is a variant of PFI/PPP which captures the benefits of traditional projects, but has the potential to offer greater value for money to the Council. The NPDO is structured so that any surplus is made available to an educational charity nominated by the Council instead of being paid out to shareholders.
- 1.3 A Value for Money audit was carried out in March 2004 to ensure that the Council had appropriate systems in place to select and manage the NPDO project in an economic and effective manner. A further review was carried out by KPMG in July 2006 and this concluded that the procurement and implementation phases of the project were adequately controlled.
- 1.4 This audit review therefore focuses on the construction, completion and handover phases of the project.
- 1.5 Construction on Oban (phase1), Dunoon Grammar, Rothesay Joint Campus and Lochgilphead Joint Campus commenced in September 2005, with Hermitage Academy being brought into the NPDO project at a later stage.
- 1.6 Oban (phase 1) was handed over on 28 August 2006, and during the Summer of 2007, handover was achieved for Rothesay Joint Campus on 18 July 2007, Dunoon Grammar on 6 September 2007, and Oban (phase 2) on 5 September 2007. Lochgilphead Joint Campus was handed over on 22 October 2007. Construction work has continued on all sites to complete sports facilities and car parking, together with the demolition of old schools on the Dunoon and Rothesay sites. Hermitage Academy is due for completion and handover in February 2008.

2 AUDIT SCOPE AND OBJECTIVES

- 2.1 The broad objectives of the review were:
 - To review the performance measurement of the financial models, and reporting on the affordability of the project;
 - To review the contract monitoring arrangements for the construction, handover and operation of the new schools.
 - To review the calculation of the unitary charge on new schools ensuring that any relevant adjustments are identified and quantified.
 - To review and assess need for a more formalised Risk Analysis Framework and Business Continuity Plan

- 2.2 The adequacy of the arrangements to meet the objectives has been assessed using a grading of one to five ticks (✓ 's). Five ticks indicate good arrangements and one tick inadequate arrangements are in place. The assessment is set out in section 6 (figure 1). The assessment has been made by considering the value and significance of the findings and recommendations.

3 AUDIT APPROACH

- 3.1 The following approach was used to satisfy the objectives of the audit:

- An initial meeting was held with the Special Projects team.
- A copy of the main NPDO project contract was obtained, together with additional schedules covering the payment mechanism and service availability.
- Appropriate compliance and substantive tests were devised and carried out and as part of the exercise, visits were made to Rothesay Joint Campus and Dunoon Grammar School.
- A draft report was prepared and a copy passed to the Special Projects team for comments.
- Comments were included in the final report, which was then passed to the Director of Community Services.
- The final report includes an action plan, which lists all actions agreed with management.

4 SUMMARY OF MAIN FINDINGS

- 4.1 It is a significant achievement that the Council is currently in a strong position to avoid the disruption and expense of litigation and arbitration proceedings, and resultant cost over-runs, which have beset school PFI projects for other Councils.

The Council have endeavoured to achieve the maximum benefit of the fixed contractual price within the PFI contract by not requiring any significant design changes. Additional provision within the contract has been negotiated through the Reviewable Design Data (RDD) process, which does not result in any financial variation to the contract.

No direct claims have been notified to date from ABC Schools against the Council. However, construction cost over-runs have occurred, and on-going monitoring will therefore still be required to ensure that any potential claims arising, particularly in respect of construction delays, can be rejected as arising from factors outwith the contract or are directed at other members of the ABC Schools consortium.

- 4.2 Internal Audit found that the Affordability of the NPDO Schools project is being closely monitored with a spreadsheet model of actual revenue and expenditure being regularly updated to reflect the variances from the original projection at financial close, and reconciled to the Council budget.
- 4.3 The overall affordability of the project has benefited from the Late Service Availability of schools arising from construction delays. This has led to a consequent delay in incurring the Unitary Charge with the Revenue Support Grant profile remaining unchanged.

It has been recognised that the construction period is the riskiest element for all parties involved in the project. At present there is an apparent surplus within the Smoothing Fund of £4million, which is continuing to earn interest, but the impact of variations in the Retail Price Index, increases in utility charges and the finalisation of Non Domestic Rates are currently being assessed. Management have stated to Internal Audit that they are certain that any surplus will be reduced when the assessment process is complete.

- 4.4 ABC Schools Ltd. must not make distributions to its shareholders and any surpluses will be donated to a charity established to finance educational provision. It was not anticipated that any surpluses would arise during the early years of the project. However, the potential for profit may have increased due to the construction delays. This has resulted in a slower than anticipated draw down of the capital finance, thereby reducing the interest cost borne by the project. However, any resultant profit will still be dependent on future variables such as interest rates and inflation.
- 4.5 In common with most construction projects there are snagging issues arising at or after the Certification date of each building. Under the NPDO project these may give rise to financial penalties resulting in deductions from the unitary charge where performance or availability failures arise. The Council have withheld £45,000 against deductions arising on Oban Phase1 in the period since October 2006. It is anticipated that actual deductions will exceed this amount and the detailed calculations are close to finalisation. With the subsequent Certification of schools in the Summer & Autumn of 2007, all snagging issues are being transferred on to the Help Desk at the end of the initial 2 months acceptance period to provide an established mechanism for calculating on-going deductions.

5 ACTION PLAN

- 5.1 The action plan attached at Appendix 2 has been compiled with the co-

operation and agreement of the Special Projects team.

- 5.2 Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.
- 5.3 A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification is set out below:-

Fundamental - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Material - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it was rectified;

Minor - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

6 OVERALL CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES

- 6.1 The Special Projects team have a strong understanding of the NPDO contract, its financial framework and required operating procedures. This is enabling them to exercise tight financial control over the costs of the project and ensure that the affordability of the project is kept under close scrutiny. However, during the course of the audit, some areas were identified as still in development or requiring some improvement and therefore, various recommendations have been made. These have been discussed with management and an action plan agreed. (Any issues not accepted by management are done so with their knowledge and acceptance of risk and control weakness.)
- 6.2 Figure one below sets out a summary of the overall conclusions arising from the audit in terms of the specific objectives detailed at section 2.1

Figure 1: Summary of overall conclusions

Specific objectives	Assessment
To review the performance measurement of the financial models, and reporting on the affordability of the project;	✓✓✓✓
To review the contract monitoring arrangements for the construction, handover and operation of the new schools.	✓✓✓✓
To review the calculation of the unitary charge on new schools ensuring that any relevant adjustments are identified and quantified.	✓✓✓✓
Review and assess need for a more formalised Risk Analysis Framework and Business Continuity Plan	✓✓✓

Key:

- ✓✓✓✓✓ - Arrangements accord with good practice and are operating satisfactorily.
- ✓✓✓✓ - Arrangements accord with good practice, but certain minor matters noted as requiring improvement.
- ✓✓✓ - Adequate arrangements in place, but certain matters noted as requiring improvement.
- ✓✓ - Arrangements in place offer scope for substantial improvement.
- ✓ - Concern is expressed about the adequacy of the scope of these arrangements.

7 ACKNOWLEDGEMENTS

- 7.1 Thanks are due to the Special Projects team, and the schools visited, for their co-operation and assistance during the Audit and the preparation of the report and action plan.
- 7.2 Argyll & Bute Council's Internal Audit department has prepared this report. Our work was limited to the scope in paragraph 1.2 of this report. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.
- 7.3 This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARAGRAPH	GRADE	POINTS ARISING	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
4	1.15	Material	The Affordability model requires to be updated to reflect deductions from the unitary charge when these are agreed.	When deductions are agreed the affordability model (and smoothing fund) will be updated appropriately.	QIO Special Projects	Ongoing
6	1.26	Material	The penalty deduction mechanism requires to be linked to the Help Desk and implemented in early course.	Mitie prepared their first contractual performance and payment report, including a Help Desk generated deduction figure, for the December 2007 invoice. The Authority will continue to monitor Mitie's performance to ensure these reports are provided each month in line with the contract.	QIO Special Projects	Ongoing from January 2008
8	1.33	Material	In view of the relative importance of the NPDO project and its high visibility	The formal quarterly reporting to the Director which was in place during	QIO Special Projects	From February 2008

ACTION PLAN NO	PARAGRAPH	GRADE	POINTS ARISING	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
			<p>within the community, we would recommend that the quarterly schedule of reporting is adhered to, and the opportunity is taken to provide a fuller overview of the construction progress and facility management issues arising at each location.</p> <p>In addition, recognising that there are only two key members of the Special Projects team it would be difficult for a new team member to familiarise themselves with the project without a full procedures manual being available. A timescale should therefore be set for completion of this manual.</p>	<p>the first 3 quarters of 2007 will be adhered to rigorously in 2008. The Team will continue to report informally on relevant issues as has been the case during the contract period to date.</p> <p>The draft procedures manual currently in place will be finalised in conjunction with the completion of the service plan and NPDO risk assessment described in item 10 below.</p>		<p>July 2008</p>
10	1.41	Material	<p>An exercise should be carried out to document the risks associated with the NPDO school estate, and ensure that they are reflected, or comply with the Corporate</p>	<p>Special Projects has commenced a risk analysis of all its work and resource requirements including the operation of the NPDO as part of its future service</p>	QIO Special Projects	June 2008

ACTION PLAN NO	PARAGRAPH	GRADE	POINTS ARISING	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
			<p>Risk Register approach. This will include assessing, from an operational risk standpoint, the changes in responsibility for disclosure checking of janitors and cleaners as well as ensuring that an overall disaster recovery plan is in place.</p>	<p>planning. This will be completed to provide a working tool to determine resource needs for future work.</p> <p>A detailed risk framework for the NPDO project itself will be undertaken. The approach used for the Corporate Risk Register will be applied, where appropriate, to ensure consistency of approach and format between the NPDO assessment and that of other departments.</p>		

ABCD

Argyll & Bute Council

**Argyll & Bute Council
Internal Audit – Planning
and Building Warrants**

KPMG LLP

January 2008

This report contains 10 pages

jc

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1 Internal Audit – Planning and Building Warrants Review

1.1 Background

- 1.1.1 As part of their commitment to eGovernment, Argyll & Bute Council have made their Planning system available online through the Public Access website. The site allows users to search for and view planning and building standards applications and related documentation. In addition users can monitor the progress of applications, submit comments related to those applications and access application and property details.

Argyll & Bute Council are reliant on IT systems for the operation of the website and the underlying IT infrastructure that supports the Planning and Building Warrants system.

The Council needs to ensure the integrity and confidentiality of the data residing on these systems. The ongoing availability of the system is also crucial to the Council.

1.2 Scope

- 1.2.1 The review of the Planning and Building Warrants system was performed with the intention of understanding the security, robustness and maintainability of the system solution and the associated business processes, risks and controls that underpin successful ongoing operations.
- 1.2.2 The focus was placed on the controls associated with the security of the Planning and Building Warrants system, the approach to the testing of the Comino/Uniform overnight batch interface and a review of the supporting documentation.
- 1.2.3 The specific objectives of this audit were divided into two main areas:

Technical systems and general IT controls work:

- high level review of the implemented technical architecture to provide assurance that systems are appropriately locked down.
- review of the completeness and adequacy of the testing approach used to validate the Comino/CAPS overnight batch interface prior to go live (the data interface represents the only bespoke unsupported aspect of the delivery).

- review of the supportability and maintainability of the systems going forward, including a review of the adequacy of current systems documentation.

Business process, risk and controls work:

- review of current business process analysis documentation for completeness, accuracy and validity, ensuring they reflect current operations
- identification of any areas where workarounds have been developed that undermine standard usage of the implemented system
- define and document key areas of procedural risks and controls in place to mitigate the risks
- where appropriate the review will define gaps within business process or control and suggest potential areas for process standardisation and efficiency.

1.3 Approach

1.3.1 The approach adopted to carry out the audit was to: -

- interview appropriate staff members
- document unlisted processes and identify process gaps
- complete specific audit tests

1.3.2 As part of ongoing knowledge transfer to the Council, Mhairi Weldon (Senior Audit Assistant) shadowed the KPMG audit team.

2 Executive Summary

- 2.1 The review of the Council Planning and Building Warrants systems used by Argyll & Bute Council indicated that the systems are appropriately controlled with some minor weaknesses.

From our high level review of the system's technical architecture we determined that appropriate steps have been taken to secure access to the system, although we did note some minor weaknesses. The system was configured by the supplier and there has been little involvement by the Council's IT Department in configuring the security of the system. Where the IT Department was required to change existing configuration of software and hardware then this was done with consideration to the overall impact on security. The IT Department has been running the Nmap (network mapper) application to perform limited vulnerability scanning of the internal network. This is a positive step by the IT Department to self-assess their own levels of security; although this is at an early stage the intention is to perform a greater degree of vulnerability scanning in future.

The design of the system's technical architecture is appropriate to achieve a secure level of access to the Planning and Building Warrants system. A demilitarised zone has been setup to separate the web servers from the rest of the Council's network. Firewall's have been configured to provide access to only those services needed for the functioning of the system.

One area of weakness was the lack of documentation around the configuration of systems. There was no documentation available for the configuration of the web server used for the Planning and Building Warrants system, without this it was not possible to determine what steps had been taken to security harden the configuration to prevent possible unauthorised access.

The two main findings from the review of the process maps were that the current maps provide adequate coverage of all processes within the Planning and Building Warrants process. From our inquiries with staff in the Oban and Ardrishaig area offices, and from walkthroughs we determined that the processes represent a fair representation of their actual operation. It was noted that in some processes that there was some deviation in responsibilities, with staff at a more senior level performing the process.

- 2.4 Below is a summary table indicating an assessment of the Council's Planning and Building Warrant systems against the specific objectives of the audit.

Planning & Building Warrants

Technical systems and general IT controls work

Specific objectives	Overall assessment
high level review of the implemented technical architecture to provide assurance that systems are appropriate locked down	✓✓✓✓
review of the completeness and adequacy of the testing approach used to validate the Comino/CAPS UNI-form overnight batch interface prior to go live (the data interface represents the only bespoke unsupported aspect of the delivery)	✓✓✓
review of the supportability and maintainability of the systems going forward, including a review of the adequacy of current systems documentation.	✓✓✓
Key:	
✓✓✓✓✓ - Arrangements accord with good practice and are operating satisfactorily.	
✓✓✓✓ - Arrangements accord with good practice, but certain minor matters noted as requiring improvement.	
✓✓✓ - Adequate arrangements in place, but certain matters noted as requiring improvement.	
✓✓ - Arrangements in place offer scope for substantial improvement.	
✓ - Concern is expressed about the adequacy of the scope of these arrangements.	

Planning & Building Warrants

Business process risk and controls work

Specific objectives	Overall assessment
review and prioritisation of current business process analysis documentation	✓✓✓✓
definition of overall approach to business process, risk and controls review that is applicable	✓✓✓✓
review of prioritised business process analysis documentation for completeness, accuracy and validity, ensuring they reflect current operations	✓✓✓✓
identification of any areas where workarounds have been developed that undermine standard usage of the implemented system	✓✓✓✓
define and document key areas of procedural risks and controls in place to mitigate the risks	✓✓✓✓
Key:	
✓✓✓✓✓ - Arrangements accord with good practice and are operating satisfactorily.	
✓✓✓✓ - Arrangements accord with good practice, but certain minor matters noted as requiring improvement.	
✓✓✓ - Adequate arrangements in place, but certain matters noted as requiring improvement.	
✓✓ - Arrangements in place offer scope for substantial improvement.	
✓ - Concern is expressed about the adequacy of the scope of these arrangements.	

3 Management Letter Points

Action Plan Number	Paragraph	Grade	Weakness Identified	Management Response/ Agreed Action	Responsible Officer	Date of Implementation
1	3.1.1	Material	<p>Observation There is a lack of documentation around the configuration performed on the web servers used by the Comino and UNI-form applications.</p> <p>Risk There is a risk that the web servers have not been configured in line with recommended supplier security practices.</p> <p>Recommendation We would recommend that documentation is obtained from Comino and CAPS (UNI-form) specifying how the servers are configured, particularly with regard to their security configuration.</p>	<p>This documentation was available to the Project from the onset and can be found within the DNAS2 Project folder within Public Folders. (Public Access : Hardware and Software Requirements, Architecture And Recommended Set-up)</p> <p>The Risk described is considered by the IT Service to be low. However current server configuration is to be reviewed against Industry Standards and best practice guidelines.</p>	<p>Katrina Duncan</p> <p>Alex McDougall</p>	<p>Complete</p> <p>End February 2008</p>

Action Plan Number	Paragraph	Grade	Weakness Identified	Management Response/ Agreed Action	Responsible Officer	Date of Implementation
2	3.1.2	Material	<p>Observation The testing of the overnight batch interface between UNI-form and Comino involved the use of a single address.</p> <p>Risk There is the risk that errors may exist in the batch interface that have not been identified during testing.</p> <p>Recommendation We would recommend that a larger sample size be used to provide greater assurance of the operation of the batch interface.</p>	<p>Test plans are being drawn up for the upgrade of all Planning systems including UNIform, Comino and Public Access. These are being developed as part of the 6 month secondment period of a second technician to the Planning Department.</p> <p>These test plans will incorporate the testing of a larger sample of data where needed</p>	Dorothy Allan and Beth Connelly	<p>UNIform – September</p> <p>Public Access – November</p> <p>Comino – January/</p> <p>End February 2008</p>



FINAL

Internal Audit Report

Corporate Services Department

**Review of the Risk Management
Framework**

January 2008

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APPENDICES

1	DETAILED FINDINGS
2	ACTION PLAN

1. BACKGROUND

1.1 This report has been prepared as a result of the Internal Audit review of Risk Management as part of the 2007/2008 Internal Audit Plan.

1.2 A review was carried out in 2006/07 covering the Council approach to Risk Management and the establishment of a framework. A report was prepared that recommended certain actions be taken by management that would embed a framework for Risk Management within the departments of the Council. Given the importance of ensuring that there is ongoing progress of the framework, it is considered prudent to establish whether agreed actions by management are being progressed and where possible to further assist with framework development. In order to establish the progress made by management to date 3 areas were included for this review:

- To establish whether the recommendations from the 2006/07 report have been implemented;
- Risk management arrangements are sufficiently developed to provide an effective operational management tool; and
- Whether departmental loss control groups have set up operational and strategic risk registers within a set timescale.

1.3 As a result of our audit work, findings were generated. These findings were subsequently discussed with management and where appropriate included in the action plan for future implementation.

2 AUDIT SCOPE AND OBJECTIVES

2.1 The broad objective of the audit is to evaluate whether there is a Risk Management Framework (RMF) in place which can enable the risk management process to be carried out and developed in a comprehensive manner, whereby all significant risks are identified, evaluated, controlled, monitored and reported in accordance with best practice.

2.2 The adequacy of the arrangements to meet the objective has been assessed using a grading of one to 5 ticks (✓ 's). Five ticks indicate good arrangements and one tick inadequate arrangements are in place. The assessment is set out in section 6 (figure 1). The assessment has been made by considering the value and significance of the findings and recommendations.

3 AUDIT APPROACH

3.1 The following approach was used to satisfy the objectives of the audit:-

- Discussions were held initially with the Head of Democratic Services and Governance and the Governance and Risk Manager for background to risk management procedures and development in the Council and its relationship with promoting the principles of Best Value within the Council;
- Internal Audit prepared and requested the completion of a questionnaire by management to assist in addressing the above objective;

- Tests were devised and carried out as part of the exercise, and relevant evidence of progress made was requested and reviewed;
- Any problem areas were highlighted, and brought to the attention of management via a draft report and their comments were incorporated into this report where appropriate;
- A final report was prepared for the attention of the Director of Corporate Services.

4 SUMMARY OF MAIN FINDINGS

- 4.1 Internal Audit in the course of the audit found through testing that a number of key steps have been achieved in implementing recommendations from the 2006 Risk Management Framework report. However, a few areas remain to be fully progressed to conclusion.
- 4.2 Risk management procedures need to be finalised and issued to departments. The procedures will provide the Loss Control Groups (LCGs) with a formal operating framework. This should then be presented to the Audit Committee for approval.
- 4.3 The SMT are has presently reviewed and approved the Council Risk Register. A quarterly report is prepared for the SMT and Audit Committee on risk management. This could be enhanced with a list of high level risks gathered from departments on a quarterly basis. This will provide evidence to the SMT and Audit Committee that high risks have been identified and management is aware and assessed these risks.
- 4.4 In addition, the quarterly report to the SMT and Audit Committee should include perceived departmental benefit outcomes of embedding the risk management process within the Council.
- 4.6 It was found that the Risk & Corporate Governance Manager did not have a formal record of DMT minutes delegating authority to LCGs. It is therefore recommended that a copy of each DMT delegated authority should be passed to the Risk & Governance Manager to be incorporated within the risk management procedures and operating framework document.

5 ACTION PLAN

- 5.1 The action plan attached at Appendix 2 has been compiled with the co-operation and agreement of the Head of Democratic Services and Governance.
- 5.2 Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

- 5.3 A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification is set out below:-

Fundamental - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Material - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Minor - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

6 CONCLUSION

- 6.1 It is the opinion of Internal Audit that good progress has been made by the Council to address the requirements of introducing a Risk Management framework.
- 6.2 However, during the course of the audit, some areas were identified as requiring further development and therefore recommendations have been made. These have been discussed with management and an action plan agreed. (Any issues not accepted by management are done so with their knowledge and acceptance of risk and control weakness.)
- 6.3 Figure one below sets out a summary of the overall conclusions arising from the audit in terms of the specific objective detailed at section 2.1

Figure 1: Summary of overall conclusions

Specific objectives	Assessment
To establish whether the recommendations from the 2006/07 report have been implemented;	✓✓✓

Risk management arrangements are sufficiently developed to provide an effective operational management tool; and	✓✓✓
Whether departmental loss control groups have set up risk registers within a set timescale.	✓✓✓
Key: ✓✓✓✓✓ - Arrangements accord with good practice and are operating satisfactorily. ✓✓✓✓ - Arrangements accord with good practice, but certain minor matters noted as requiring improvement. ✓✓✓ - Adequate arrangements in place, but certain matters noted as requiring improvement. ✓✓ - Arrangements in place offer scope for substantial improvement. ✓ - Concern is expressed about the adequacy of the scope of these arrangements.	

7 ACKNOWLEDGEMENTS

- 7.1 Thanks are due to Head of Democratic Services and Governance and his staff for their co-operation and assistance during the audit and the preparation of the report and action plan. Thanks are also due to Council departmental management and staff along with Audit Scotland who provided comment on the relevance of the proposed model.
- 7.2 Argyll & Bute Council's internal audit department has prepared this report. Its work was limited to the scope in paragraph 3.1 of this report. It cannot be held responsible or liable if information material to our task was withheld or concealed or misrepresented.
- 7.3 This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2

ACTION PLAN

ACTION PLAN NO	PARA	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	2.3	Material	Operating procedures are to be finalised and issued to departments this will also offer an operating framework for departmental LCGs and presented to the Audit Committee for approval.	This is close to completion as the necessary documents have been prepared and will go to the next RMG for review and approval.	Head of Democratic Services & Governance	June 2008
2	2.1	Material	The quarterly report to the SMT and Audit Committee does not include a list of high level departmental risks and any perceived benefits resultant from embedding the risk management framework.	The quarterly report will in future include these issues.	Head of Democratic Services & Governance	June 2008

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**Final
Internal Audit Report**

Chief Executives Unit - Strategic Finance

Community Planning Review 2007 - 2008

December 2007

Auditor
Internal Audit Manager

David Strong BSc CPFA
Ian Nisbet MBA MSc MIIA ACMA

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APPENDIX 1 - ACTION PLAN

1. BACKGROUND

- 1.1 The 2003 Act introduced a new Best Value (BV) regime which provided for an in depth audit of best value and community planning to be conducted at each Scottish Local Authority on a 3 year cyclical basis by an Audit Scotland 'performance audit team'.
- 1.2 This Council's first in depth audit was carried out in 2005/06 and a report was presented to the Council by Audit Scotland in February 2006 covering all aspects of Best Value. With regard to Community Planning, the report, whilst praising the good start made by the Council in addressing the Community Planning aspects of the Act, indicated that more needed to be done to capture and measure the benefits of partnership working in terms of improved services for users. It went on to say that in doing this it was important that accountability was maintained for the resources contributed by the Council and the resulting outputs or outcomes.
- 1.3 The Council responded by producing an Implementation Plan which addressed all Best Value matters raised in Audit Scotland's report. With regard to Community Planning matters the Council has now implemented all of the actions included in the plan and the Council's Policy and Strategy Unit have been monitoring progress against the plan, and kept a record of the evidence of all actions implemented.
- 1.4 The Council's external auditor Grant Thornton LLP has reviewed progress against the Implementation Plan as part of the 2006/07 audit and reported good progress. It is understood that the Accounts Commission have accepted the report from Grant Thornton LLP and will no longer be visiting to review progress in December 2007 as originally planned. In accordance with the Act, Audit Scotland is expected to return in 2008/2009 to repeat the review process.
- 1.5 In June 2006, Audit Scotland issued a national report entitled, "Community planning: an initial review". This report contained 21 recommendations, 16 of which related to local authorities and 12 which also related to Community Planning Partnerships (CPPs). The report recognised that the priority given to the recommendations depended on individual circumstances.
- 1.6 Last years the internal audit concentrated on reviewing progress made addressing and implementing the recommendations of the Audit Scotland national report referred to above. As a result an audit report was issued with recommendations.
- 1.7 This years audit has updated the progress against those recommendations made in 2006/07 as well as covering some other matters set out below.

2. AUDIT SCOPE AND OBJECTIVES

- 2.1 The audit scope and list of objectives for Internal Audit's 2006/2007 review of the Community Planning Partnership (CPP) are set out below.
- 2.2 To review progress made against the recommendations in Internal Audits 2006/07 report;

- 2.3 To critically review the 2007/2017 Community Plan;
- 2.4 To consider critically reviewing the CPPs Regeneration Outcome Agreement;
- 2.5 To review the 2007/08 minutes of CPP and the Management Committee meetings and follow up any matters which require further investigation;
- 2.6 To update the position with regard to relevant actions relating to the CPP included in the Council's BV Implementation Plan.

3 AUDIT APPROACH

- 3.1 A questionnaire was compiled as an agenda to a meeting with the CPM incorporating matters to be discussed arising from the matters reviewed as set out below.
- 3.2 The Community Planning Manager was interviewed to obtain her views on progress to date with the 2006/07 report action plan and any other matters which required to be discussed.
- 3.3 The 2007/2017 Community Plan was briefly reviewed.
- 3.4 The Regeneration Outcome Agreement was briefly reviewed.
- 3.5 The 2007/08 minutes of the CPP and the CPP Management Committee available to November 2007 were reviewed with a view to understanding the issues the Partnership was involved in and how it was addressing them.
- 3.6 Progress with the BV Implementation Plan actions with regard to CPP issues was updated.
- 3.7 A draft report was prepared for discussion with management and any comments made have been added into the report where appropriate.

4 SUMMARY OF MAIN FINDINGS AND OVERALL CONCLUSIONS ARISING FROM THE AUDIT

4.1 Progress addressing actions in the 2006/07 Internal Audit report.

There were 4 actions in last years report. All of the actions arose out of Audit Scotland's national report of June 2006. The Community Planning Manager (CPM) has intimated that all of the actions are being addressed and are in various stages of implementation. In particular it was pointed out the steps being taken to carry out a "health check" review. Internal Audit considers that achievement of the actions is not altogether clear and that it would be helpful if a report was made to the CPP Management Committee on how the CPP and/or the Council is already progressing with them, proposes to progress them, or does not need to address them (with explanations). Achievement dates should be included. The Policy and Strategy has

said that he will ask the CPM to take a report to the CPP Management Committee early in 2008.

Refer to Action Plan No 1

4.2 There were three matters arising following a internal audit review of the 2007/2017 Community Plan:

1. Website

It was reported last year that a new CPP website was up and running which linked all partners and was to be developed as resources allowed. In addition, the Forward to the Community Plan indicates that the principles of Community Planning will continue to be promoted via the new website and that the site will be regularly updated.

However, internal Audit recently tried to access the site but was unable to do so. The Community Planning Manager has confirmed that there are problems with the site, but that a decision has been taken by the CPP Management Committee to progress a funding bid to develop an enhanced web based provision.

2. Tackling Disadvantage

Page 5 of the Community Plan says that the CPP is committed to tackling disadvantage wherever it occurs and regeneration work plays a vital roll in this. Additional resources from the Scottish government have funded activities aimed at tackling disadvantage. A Regeneration Outcome Agreement 2005/2008 has been prepared identifying the main partners involved and the nature of the investment. Work is now being developed by the CPP to progress this. A brief review of the ROA was carried out as at paragraph 4.3 below.

3. Measuring Progress and Performance

Page 20 of the Plan sets out how progress and performance is to be measured by the CPP. It says a monitoring framework will be developed to assess the impact of Community Planning and that in the future as targets are being reviewed community inputs will be included when setting objectives. This will be achieved by setting up a Local Community Planning Group (LCPG) in each administrative area of Argyll & Bute. It is planned to set up 9 such Groups over a period of the next 3 years. A number of facilitators are to be trained and funded by the Government to assist the formation and operation of these Groups.

The Community Planning Management Committee is to monitor progress of the Community Plan and key performance indicators (KPIs) are to be identified to ensure outcomes can be measured over time. The CPM has confirmed that there has been a detailed assessment of all the partner's plans and the CPP is satisfied that all partners are committed to deliver. The tracking mechanisms in place allow the CPP Management Committee to see this.

Nevertheless, in view of the importance of measuring progress and performance

it is recommended that high importance is given to this process and regular reports are made to the CPP Management Committee as to the progress with the setting up of LCPGs, the training of facilitators and the development of KPIs.

Refer to Action Plan No 2

4.3 Matters arising following a brief internal audit review of the CCPs Regeneration Outcome Agreement

It was found that this agreement was completed in 2005, but that since then arrangements have changed. The CPM has advised that a review was carried out as part of the Annual Report.

4.4 Matters arising following an internal audit review of 2007/08 CPP and Management Committee Minutes.

1. Management Committee Minutes –8 August 2007 Item 7a
Partners were asked to present to the community Planning Manager what their organisations were doing to fit in with Community Plan reporting. The CPM has advised that this is now on course
2. CPP Minute -6 July 2007 Item 4
The Chairman of Committee asked whether the Community Plan should highlight a number of achievable targets. The CPM has advised that targets have been identified.

4.5 Update of Progress with Council's BV Implementation Plan

1. The Council's Policy and Strategy Unit have been monitoring and gathering evidence of progress against the Council's BV Implementation Plan. It has recently reported that as at September 2007 all of the actions relating to the CPP have been completed and it has informed Internal Audit that the External Auditors have expressed their satisfaction with the actions completed.
2. Because of the view expressed by the External Audit the Unit has ceased to gather any further evidence of progress against the BV Implementation Plan.

It is concluded that very satisfactory progress has been made implementing the relevant actions but that the evidence of implementation should be retained as the Accounts Commission may require sight of the evidence at their next visit.

5 ACTION PLAN

- 5.1 The action plan attached at Appendix 1 has been compiled with the co-operation and agreement of the Policy & Strategy Manager and the Community Planning Manager.
- 5.2 Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Where management decides not to implement recommendations it must accept the risks associated with that decision.

6 OVERALL CONCLUSIONS AND ASSESSMENT AGAINST OBJECTIVES

6.1 Figure 1 below sets out a summary of the overall conclusions arising from the audit in terms of the specific objectives in section 2.1.

Figure 1: Summary of overall conclusions

Specific Objectives	Assessment
Review progress addressing recommendations in the 2006/07 Internal Audit Report	✓✓✓✓
To critically review the 2007/17 Community Plan	✓✓✓✓
To review the 2007/08 minutes of CPP and the Management Committee meetings and follow up any matters requiring further investigation;	✓✓✓✓
Review progress made to date to address the contents of the Councils BV Implementation Plan arising from Audit Scotland's BV audit report of February 2006	✓✓✓✓✓
Key:	
✓✓✓✓✓	Arrangements accord with good practice and are operating satisfactorily.
✓✓✓✓	Arrangements accord with good practice, but certain matters noted as requiring further consideration / improvement.
✓✓✓	Adequate arrangements in place, but certain matters noted as requiring further consideration / improvement.
✓✓	Arrangements in place offer scope for substantial improvement.
✓	Concern is expressed about the adequacy of the scope of these arrangements.

7 ACKNOWLEDGEMENTS

- 7.1 Thanks are due to the Community Planning Manager and the Policy and Strategy Manager for their co-operation and assistance in the completion of the review and the preparation of the report and action plan.
- 7.2 Argyll & Bute Council's Internal Audit department has prepared this report. Our work was limited to the scope in paragraph 2 of this report. We cannot be held responsible or liable if information material to our task was withheld or concealed from us or misrepresented to us.
- 7.3 This report is private and confidential for the Council's information only and is solely for use in the provision of an Internal Audit service to the Council. This report is not to be copied, quoted or referred to, in whole or in part, without prior written consent from the Internal Audit Manager.

APPENDIX 1
ACTION PLAN

ACTION PLAN NO	PARAGRAPH REFERENCE	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
1	4.1	Material	The recommendations made in Audit Scotland's national report of June 2006 may not yet be fully addressed	The Community Planning Manager is to address the recommendations in the Audit Scotland national report that are relevant to the Council and report to the management committee on how the CPP and/or the Council is already progressing with them. The report will be ready early 2008.	Community Planning Manager	Completed. February 2008.
2	4.2.3	Material	It is not clear whether adequate arrangements are in place to monitor progress of changes/improvements to the performance management process	In view of the importance of measuring progress and performance high importance is given to this process and regular reports are to be made to the Management Committee as to the progress with the setting up of LCPGs, the training of facilitators and the development of KPIs.	Community Planning Manager	Immediate commencing February 2008