

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

Corporate Services  
Director: Nigel Stewart



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

27 February 2009

## NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **MEMBERS ROOM, KILMORY, LOCHGILPHEAD** on **FRIDAY, 6 MARCH 2009** 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 12 December 2008 (Pages 1 - 6)
4. **AUDIT COMMITTEE - SELF ASSESSMENT EXERCISE**  
Report by Internal Audit Manager (Pages 7 - 20)
5. **AUDIT COMMITTEE - DRAFT TERMS OF REFERENCE**  
Report by Internal Audit Manager (Pages 21 - 24)
6. **INTERNAL REPORTS TO AUDIT COMMITTEE 2008 - 2009**  
Report by Internal Audit Manager (Pages 25 - 48)
7. **AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2008 - 2009**  
Report by Internal Audit Manager (Pages 49 - 66)
8. **EXTERNAL AND INTERNAL AUDIT FOLLOW UP 2008 - 2009**  
Report by Internal Audit Manager (Pages 67 - 86)
9. **PROGRESS REPORT ON INTERNAL AUDIT PLAN 2008 - 2009**  
Report by Internal Audit Manager (Pages 87 - 90)

- 10. ANNUAL AUDIT PLAN 2009 - 2010**  
Report by Internal Audit Manager (Pages 91 - 104)
- 11. SUMMARY OF QUARTERLY PERFORMANCE REPORTS**  
Report by Chief Executive's Unit (Pages 105 - 108)
- 12. PERFORMANCE MANAGEMENT**  
Verbal report from Chair and Vice Chair of Audit Committee on their meeting with the Chief Executive
- 13. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY**  
Report by Governance and Risk Manager (Pages 109 - 110)
- 14. AUDIT PLAN 2008/2009**  
Report by Grant Thornton UK LLP, External Auditors (Pages 111 - 130)
- 15. ANNUAL ACCOUNTS 2008 - 2009 (IFRS REPORT)**  
Report by Head of Strategic Finance (Pages 131 - 132)
- 16. IFRS**  
Presentation on International Financial Reporting Standards (IFRS)

## **AUDIT COMMITTEE**

Councillor Gordon Chalmers  
Councillor Roderick McCuish  
Ian M M Ross

Councillor Mary-Jean Devon  
Councillor Andrew Nisbet  
Christopher Valentine

Contact: Fiona McCallum

Tel. No. 01546 604406

**MINUTES of MEETING of the AUDIT COMMITTEE held in the MEMBERS ROOM, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 12 DECEMBER 2008**

**Present:**

Mr Ian M M Ross (Chair)

Councillor Mary Jean Devon  
Councillor Gordon Chalmers  
Councillor Roderick McCuish

Councillor Andrew Nisbet  
Dr Christopher Valentine

**Attending:**

Bruce West, Head of Strategic Finance  
Iain Jackson, Governance and Risk Manager  
Ian Nisbet, Internal Audit Manager  
Maira Weatherstone, Trainee Accountant  
David Clements, Performance Manager  
Gary Devlin, Grant Thornton UK LLP, External Auditors

**Apology:**

Councillor Bruce Marshall

The Chair welcomed Councillor Andrew Nisbet to his first meeting of the Audit Committee and took the opportunity of thanking Councillor Ron Simon for his contribution to the Committee over the last year.

**1. DECLARATIONS OF INTEREST**

None declared.

**2. MINUTES**

The Minutes of the Audit Committee meeting held on 19 September 2008 were approved as a correct record.

**3. AUDIT COMMITTEE SELF REVIEW AND WORK PLAN**

Grant Thornton UK LLP, External Auditors, recently evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the CIPFA guidance of 2004 entitled "Audit Committee principles in local authorities in Scotland: a guidance note" and found that the Audit Committee operated effectively and complied with the majority of good practice principles outlined in the CIPFA guide. Grant Thornton UK LLP provided recommendations in their resultant Interim Management Report of 30 September 2008 and identified areas of development for the Audit Committee namely, self assessment and the establishment of an annual work plan. A report setting out a self assessment checklist and work plan framework for the Audit Committee was considered.

**Decision**

1. To agree to consider further the work and training plan, terms of reference and self assessment exercise at a separate meeting out with the cycle of

Audit Committee meetings, to be arranged by the Head of Strategic Finance and facilitated by KPMG;

2. To agree that a draft of the Audit Committee Annual report will be considered by the Committee at their June meeting with the final report submitted to their September meeting for approval; and
3. To note that arrangements had still to be finalised for a visit to East Renfrewshire Audit Committee.

(Reference: Report by Internal Audit Manager, submitted)

#### **4. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2008-2009**

Audit Scotland issued an Accounts Commission report in November 2008 entitled "The impact of the race equality duty on council services". The key messages from this national report were before the Committee for consideration.

##### **Decision**

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

(Reference: Report by Internal Audit Manager, submitted)

#### **5. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE**

A report detailing report summaries and action plans 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 note that the report on tendering will be brought to a future meeting of the Committee.

(Reference: Report by Internal Audit Manager, submitted)

#### **6. AUDIT COMMITTEE DRAFT TERMS OF REFERENCE**

Grant Thornton UK LLP, External Auditors, recently evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the CIPFA guidance of 2004 entitled "Audit Committee principles in local authorities in Scotland: a guidance note". The evaluation determined that although the Audit Committee Terms of Reference presently met many of the best practice guidelines set out under CIPFA guidance, further improvements could be made. A report introducing draft Terms of Reference for review was considered.

##### **Decision**

1. To agree the Audit Committee's draft Terms of Reference attached to the report subject to the following amendments and to request the Director of Corporate Services to include these in the revised Council Constitution to go to the Council for approval:-
  - (a) that a section on Performance should be included in the Terms of Reference and that under this section the following statement should be added – "To promote good management practice within the Council";
  - (b) To amend paragraph 4 under the Regulatory Framework section to read "To oversee the production of the Council's Statement of Internal Control"; and
2. To agree that the Terms of Reference will be reviewed annually by the Committee.

(Reference: Report by Internal Audit Manager, submitted)

## **7. PERFORMANCE MANAGEMENT QUARTERLY REPORT**

A report providing a summary of the Service quarterly reports for the period July to September 2008, consisting of exceptional performance sections only was considered.

### **Decision**

1. To note the contents of the report and that a further report will be brought to the next meeting of the Committee;
2. To note that the Personnel Services report referred to under the section headed up Chief Executive's Unit, had been received and that there were no exception reports; and
3. To note that the Chair and Vice Chair of the Committee will be meeting with the Chief Executive in the New Year to discuss performance management and that the outcome of this meeting will be reported to the next meeting of the Committee.

(Reference: Report by Policy and Strategy Manager dated 2 December 2008, submitted)

## **8. PYRAMID PROGRESS REPORT**

A report advising on progress with the implementation of the performance management system, Pyramid, was considered.

### **Decision**

1. To note the progress to date with the implementation of Pyramid; and
2. To agree to invite the Head of Strategic HR to the next meeting of the Audit Committee to advise on progress with implementing the new reporting mechanism for absence monitoring.

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

**9. EXTERNAL AND INTERNAL AUDIT FOLLOW UP 2008-2009**

The Committee considered a report detailing the results from a review performed by Internal Audit on recommendations due to be implemented by 30 September 2008.

**Decision**

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

(Reference: Report by Internal Audit Manager dated 19 November 2008, submitted)

**10. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2008-2009**

A report advising on progress with the Annual Audit Plan for 2008-2009 was considered.

**Decision**

To approve the progress made with the Annual Audit Plan for 2008-2009.

(Reference: Report by Internal Audit Manager, submitted)

**11. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY**

A presentation and report updating the Committee on progress being made with the implementation of the Council's Risk Management and Business Continuity Strategy was considered.

**Decision**

1. To note the contents of the report and thank the Governance and Risk Manager for his very interesting and informative presentation; and
2. To note that the Audit Committee will be invited to observe the testing of the departmental recovery plans in the New Year.

(Reference: Report by Governance and Risk Manager dated 28 November 2008, submitted)

**12. ANNUAL ACCOUNTS 2007-2008**

The external auditors, Grant Thornton UK LLP, have completed their audit of the Council's accounts for the year to 31 March 2008. The audited accounts incorporating the audit certificate and the external audit report for 2007-2008 were before the Council for consideration on 27 November 2008. The audit certificate contained no qualifications and external audit 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;
2. To agree to continue to monitor the action plans agreed in the response to the individual audit reports that have been issued during the year;
3. To note that the Head of Strategic Finance will prepare a report for the next meeting of the Committee advising on the steps being taken by the Council to move to International Financial Reporting Standards (IFRS) and the implications of this move;
4. To note that Gary Devlin will arrange to provide to the Audit Committee the key highlights of the External Auditors IFRS training event.

(Reference: Report by Head of Strategic Finance dated 4 November 2008, Report on the 2007-08 Audit dated 31 October 2008 and Accounts for the period 1 April 2007 – 31 March 2008, submitted)

This page is intentionally left blank



---

**AUDIT COMMITTEE – SELF ASSESSMENT EXERCISE**

---

**1. SUMMARY**

Grant Thornton UK LLP (External Audit) recently evaluated the extent to which the Council's Audit Committee arrangements complied with the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The review concluded that although the Audit Committee presently met many of the best practice principles, further improvements could be made. Grant Thornton UK LLP provided recommendations in their resultant Interim Management Report of the 30<sup>th</sup> September 2008, identifying development areas in self assessment and the establishment of an annual work plan. A report setting out a self assessment checklist and work plan framework were presented to the Audit Committee in December 2008. It was agreed to consider a self assessment exercise at a separate meeting out with the cycle of Audit Committee meetings. Set out in Appendix 1 is a proposed template of activities and issues for consideration prior to the exercise.

**2. RECOMMENDATION**

2.1 The Audit Committee formally considers the proposed self assessment day activity and issues template.

**3. BACKGROUND**

3.1 At the last Audit Committee it was requested that a day be arranged for a self assessment exercise to take place.

3.2 Attached in Appendix 1 is an activity and issues template which may be useful to the Audit Committee in planning the self assessment day.

3.3 The template covers activities and issues that should be addressed prior to the self assessment exercise. It also provides a list of background support components for the self assessment with key questions.

3.4 The template has been passed to internal audit partners KPMG UK LLP for consideration after which dates for the exercise will be presented.

**4. CONCLUSION**

4.1 The activities and issues template attached in Appendix 1 provides a framework for the Audit Committee members to consider in planning their self assessment day.

**5. IMPLICATIONS**

5.1 Policy: Strengthening control systems

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) 26janfinalreport26jan

**AUDIT COMMITTEE – SELF ASSESSMENT  
CHECKLIST**

Priority	Issue	Yes	No	N/A	Comments/Actions
	<b>Role and remit</b>				
1	Does the audit committee have written terms of reference?				
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?				
1	Are the terms of reference approved by the council and reviewed periodically?				
1	Does the audit committee have sufficient membership, authority/power and resources to perform its role effectively and independently?				
1	Can the audit committee access other committees and full council as necessary?				
1	Does the Council statement on internal control include a description of the audit committee's role and activities?				
2	Does the audit committee assess its own effectiveness?				
2	Does the audit committee make a formal annual report on its work and performance during the year to the full Council?				
	<b>Membership, induction and training</b>				
1	Has the membership of the audit committee been formally agreed and a quorum set?				
1	Is the chair independent of the executive function?				
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?				
1	Are new audit committee members provided with appropriate induction training?				
1	Have all members' skills and experiences been assessed and training given for any gaps identified?				

Priority	Issue	Yes	No	N/A	Comments/Actions
1	Has each member declared his or her business interests?				
2	Are members sufficiently independent of other key committees of the council?				
	<b>Meetings</b>				
1	Does the audit committee meet regularly?				
1	Do the terms of reference set out the frequency of meetings?				
1	Does the audit committee calendar meet the Council's business, governance needs and the financial calendar?				
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?				
1	Are meetings free and open without political influences being displayed?				
1	Does the Council's Section 95 officer or deputy attend all meetings?				
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?				
	<b>INTERNAL CONTROL</b>				
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control? Does this include the review of the effectiveness of internal audit?				
1	Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?				
1	Does the audit committee consider how meaningful the SIC is?				
1	Does the audit committee satisfy itself that the system of internal control has operated effectively through out the financial year?				
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?				

Priority	Issue	Yes	No	N/A	Comments/Actions
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"				
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?				
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?				
2	Does the audit committee review the Council's strategic risk register at least annually?				
2	Does the audit committee monitor how the Council assesses risk?				
2	Do the audit committee's terms of reference include oversight of the risk management process?				
	<b>FINANCIAL REPORTING AND REGULATORY MATTERS</b>				
1	Is the audit committee's role in the consideration and/or approval of the Council's annual accounts clearly defined?				
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>• the suitability of accounting policies and treatments</li> <li>• major judgements made</li> <li>• large write-offs</li> <li>• changes in accounting treatment</li> <li>• the reasonableness of Accounting estimates the narrative aspects of reporting?</li> </ul>				
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?				
1	Does the audit committee review management's letter?				

Priority	Issue	Yes	No	N/A	Comments/Actions
2	Does the audit committee annually review the accounting policies of the Council?				
2	Does the audit committee gain an understanding of management's procedures for preparing the Council's annual accounts?				
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?				
	<b>INTERNAL AUDIT</b>				
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the Council's significant risks?				
1	Does internal audit have an appropriate reporting line to the audit committee?				
1	Does the audit committee receive periodic reports from internal audit including an annual report?				
1	Are follow-up audits by internal audit monitored by the audit committee and does it consider the adequacy of implementation of recommendations?				
1	Does the audit committee hold periodic private discussions with Internal Audit?				
1	Is there appropriate co-operation between the internal and external auditors?				
1	Does the audit committee review the adequacy of internal audit staffing and other resources?				
1	Has the audit committee evaluated whether internal audit complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?				

Priority	Issue	Yes	No	N/A	Comments/Actions
2	Are internal audit performance measures monitored by the audit committee?				
2	Has the audit committee considered the information it wishes to receive from internal audit?				
	<b>EXTERNAL AUDIT</b>				
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?				
1	Does the audit committee hold periodic private discussions with the external auditor?				
1	Does the audit committee review the external auditor's annual report to those charged with governance?				
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?				
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including those produced by Audit Scotland?				
1	Does the audit committee assess the performance of external audit?				
1	Does the audit committee consider and approve the external audit fee?				
	<b>ADMINISTRATION Agenda management</b>				
1	Does the audit committee have a designated secretary From Committee/Member Services?				
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?				
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?				
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?				

Priority	Issue	Yes	No	N/A	Comments/Actions
	<b>Papers</b>				
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?				
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?				
	<b>Actions arising</b>				
1	Are minutes prepared and circulated promptly to the appropriate people?				
1	Is a report on matters arising made and minuted at the audit committee's next meeting?				
1	Do action points indicate who is to perform what and by when?				



## APPENDIX 2

### WORK PLAN

Audit Committee Meeting Dates	Responsibility Areas of the Audit Committee									
	Audit Committee option 1	Audit Committee option 2	Audit Committee option 3	Internal Audit	External Audit	Risk Mgt.	Performance Mgt.	Anti- Fraud & Corruption Arrangements	Corporate Governance Arrangements	Accounts
<b>March</b>										
	- Audit Committee Annual Report.		-Work and Training Plan. - Terms of reference. - Self Review.  (A work day to carry out the above named tasks)	-Consider internal audit annual audit plan. -Consider follow up of external and internal action points. -Consider IA progress against plan. -Consider IA reports.	-Consider external audit annual audit plan. -Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report.	Quarterly update report.	-Annual report on the National Fraud Initiative. -Annual Review of Anti Fraud and Corruption Arrangements.		Review work plan for completion of annual accounts.
<b>June</b>										
		- Audit Committee Annual Report. -Work and Training Plan. - Terms of reference. - Self Review.	- Audit Committee Annual Report.	- Report on the year. -Consider follow up of external and internal action points. - Consider IA progress against plan. - Consider IA reports.	-Interim audit work review. - Consider external audit progress against plan. - Consider external audit reports.	Quarterly update report.	Quarterly update report.	Annual Review of Fraud Results across the Council.	Review Statements of Control.	Review of un-audited accounts.
<b>September</b>										
	- Self Review. - Terms of reference.			-Private meeting with Internal audit. -Consider follow up of external and internal action points.	-ISA260 Report. -Private meeting with external audit. - Consider external audit	Quarterly update report	Quarterly update report			Review of audited annual accounts

Audit Committee Meeting Dates	Responsibility Areas of the Audit Committee									
	Audit Committee option 1	Audit Committee option 2	Audit Committee option 3	Internal Audit	External Audit	Risk Mgt.	Performance Mgt.	Anti- Fraud & Corruption Arrangements	Corporate Governance Arrangements	Accounts
				- Consider IA progress against plan. - Consider IA reports.	progress against plan. - Consider external audit reports.					
<b>December</b>										
	-Work and Training Plan			Consider follow up of internal action points. -Consider IA progress against plan. -Consider IA reports.	-Annual audit report. - Consider external audit progress against plan. -Consider external audit reports	Quarterly update report	Quarterly update report		Annual Report on Corporate Governance	

## APPENDIX 2

### TRAINING PLAN

#### IDENTIFICATION OF AREAS FOR FUTURE TRAINING

The Audit Committee in complying with CIPFA guidelines will need to identify, prioritise, assess, scope and plan out a programme to achieve their training needs. This will be informed by identifying key tasks that the Audit Committee have to annually undertake. To assist the Audit Committee determine their future training needs, set out below are key tasks that have to be addressed annually.

- Annual report – This will list key issues that need to be addressed over the year;
- Terms of Reference – This may identify training needs to remain compliant with CIPFA guidance;
- Work plan – The work plan set out above covers key themes that may identify Member training requirements; and
- Self assessment - The annual exercise will identify issues where knowledge could be enhanced through training.

#### TRAINING PLAN (EXAMPLE FORMAT)

“At a self assessment meeting of the Audit Committee on the ....., Members considered potential areas of interest/ focus which are detailed within the above work programme. In addition, training requirements were also identified and these are set out in the accompanying Training Plan as follows”:

AUDIT COMMITTEE - TRAINING PLAN 2008 – 2009			
PRIORITY LEVEL1or2	TRAINING NEED IDENTIFIED	PROVIDER	ACTION DATE

This page is intentionally left blank

## AUDIT COMMITTEE SELF ASSESSMENT EXERCISE – ACTIVITIES AND ISSUES FOR CONSIDERATION

### Issues to be considered prior to the Self Assessment exercise

Issues for consideration	To be discussed	Main output checklist
Terms Of Reference - for information	Areas of interest/concern.	Agreed self assessment
Visit to East Renfrewshire Council view for information gathering and comparison	What are we hoping to get from the day?	Work Plan
Key Issue identification	Prioritise key issues pertinent to Council Corporate Objectives/Performance Indicators and then consider what needs to be done to address them.	Training Plan
2007-08 Report – for information	Input from others on ourselves.	Work and Training Plan
Self Assessment - Complete questionnaire	What to do about the issues that have arisen.	Work and Training Plan

### Background support for self assessment exercise

<ul style="list-style-type: none"> <li>• New Audit Committee Terms of Reference.</li> </ul>	<ul style="list-style-type: none"> <li>• Review work plan.</li> </ul>
<ul style="list-style-type: none"> <li>• Visit to East Renfrewshire Council in February.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify development issues.</li> </ul>
<ul style="list-style-type: none"> <li>• Carry out Self Review/Self Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Discuss/prepare training plan.</li> </ul>

## Key questions that should be asked prior to the self assessment exercise

<ul style="list-style-type: none"><li>• What areas do we need to focus on?</li></ul>
<ul style="list-style-type: none"><li>• What outcomes are there from self assessment?</li></ul>
<ul style="list-style-type: none"><li>• Do we need support from others and if so what type and level of support?</li></ul>
<ul style="list-style-type: none"><li>• How can we develop in order to build on our present compliance with the good practice principles outlined by CIPFA?</li></ul>
<ul style="list-style-type: none"><li>• Do we need to review the risk management process and risk register alignment to the existing corporate governance structure?</li></ul>
<ul style="list-style-type: none"><li>• Do we review the assurance framework in total - internal controls; risk management framework; compliance; internal / external audit?</li></ul>
<ul style="list-style-type: none"><li>• Do we need to gauge the responsiveness of the Council to the current economic climate and relevant areas of particular attention, to gain some warning of issues appearing?</li></ul>

Bruce West  
Head of Strategic Finance  
27 January 2009  
misc/auditcommawayday

---

**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
6 MARCH 2009**

---

**AUDIT COMMITTEE – DRAFT TERMS OF REFERENCE.**

---

**1. SUMMARY**

In compliance with the Chartered Institute of Public Financial Accountants (CIPFA) guidance, a draft Terms of Reference (TOR) was presented to the Audit Committee in December 2008 for review. The Audit Committee decided that further amendments should be made and this report introduces an updated draft TOR for the Audit Committee to review. The Director of Corporate Services is currently revising the Council Constitution to go to Council for approval and the Audit Committee have requested that the revised TOR be included. (See Appendix 1)

**2. RECOMMENDATIONS**

2.1 To review and agree the draft TOR and request the Director of Corporate Services to pick these up during the forthcoming Review of Political Management Arrangements.

**3. DETAILS**

3.1 The Audit Committee in December 2008 decided that the draft TOR should recognise its responsibility in discharging performance functions. A section has therefore been added in response to this decision.

3.2 The draft TOR for the Audit Committee reflects the guidance, "Audit Committees – Practical Guidance for Local Authorities", produced by CIPFA. In addition, reference was made to the TOR for the Audit Committee agreed by Council on 17 May 2007 and issues raised by Grant Thornton UK LLP in their Interim Management Report of September 2008.

3.3 The draft TOR more clearly defines the role and responsibilities of the Audit Committee and follows current guidance as set out by CIPFA.

**CONCLUSIONS**

**4.**

The attached draft TOR will be monitored, updated and presented for approval on an annual basis.

**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) 18febfinalreport18feb



ARGYLL and BUTE COUNCIL

DRAFT

Audit Committee – Terms of Reference

The Committee's terms of reference are generally to promote good internal control, financial risk and governance, in order to provide reasonable assurance of effective and efficient operation, and compliance with laws and regulations, including the Council's Financial and Security Regulations, Contract Standing Orders and accounting codes of practice.

The specific terms of reference are as follows –

**Audit Activity**

- To agree the internal audit strategic plan, oversee and review action taken on internal audit recommendations;
- To consider the annual report, opinion, and summary of Internal Audit activity (actual and proposed) including the level of assurance it can give over the Council's corporate governance arrangements and other specific internal audit reports;
- To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance and other specific External Audit reports;
- To comment on the scope and depth of External Audit work and to ensure it gives value for money;
- To commission work from Internal and External Audit;
- To consider the performance of Internal and External Audit;
- To provide training to support the role of audit committee members;
- To develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability;
- To promote good financial practice within the Council;
- To be consulted on the External Audit strategy and plan, review reports from the Council's External Advisors and review action on External Audit recommendations; and
- To review the Council's financial performance as contained in the Annual Report, and to report annually to the Council on the internal control environment.

**Regulatory Framework**

- To maintain an overview of the Council's Constitution in respect of contract procedure rules, and financial regulations;
- To monitor the effective development and operation of risk management and corporate governance in the Council;
- To monitor the Anti fraud and corruption strategy and the Council's arrangements for dealing with any allegations of fraud or similar improper behaviour;
- To oversee the production of the Council's Statement on Internal Control; and
- To consider the Council's compliance with its own and other published standards and controls.

## **Accounts**

- To examine the activities and accounts of the Council and exercise a governance role over management efforts to ensure that;
  - (a) the expenditure approved by the Council has been incurred for the purposes intended;
  - (b) services are being provided efficiently and effectively;
  - (c) value for money is being obtained, all in accordance with Best Value requirements; and
  - (d) the Council/Executive has appropriate information and advice available to them to make decisions.
- To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council; and
- To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Performance**

- To promote good performance management practice within the Council;
- To be assured that the Council's performance management systems operate effectively;
- To regularly review outputs from the Council's performance management system;
- To consider performance and inspection reports from internal audit, external audit and other relevant agencies;
- To commission specific performance reviews to be carried out where necessary;
- To review Best Value arrangements and outcomes, with consideration of both external and internal Best Value reports, strategy/plans and outcomes from Best Value reviews;
- To overview key performance indicator outcomes, including quarterly service performance reporting and Statutory Performance Indicator outcomes;
- To comment on proposals for developing a performance management framework, systems and processes; and
- To review the impact of national performance reports from external bodies such as Audit Scotland and consider their impact on future audit plans for performance work to be undertaken by both external and internal audit.

---

**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
6 MARCH 2009**

---

**INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2008 - 2009**

---

**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 final report summaries and action plans from recent audits to be submitted to the March Audit Committee. See Appendix 1 to 2.

**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 Appendices are 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 findings 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 Attached for the Audit Committee are 2 final reports completed in this reporting period for core and non financial systems audits:

- Corporate Governance; and
- Catering Procurement.

(See Appendices 1 to 2).

**4. CONCLUSIONS**

The Audit Committee is requested to note the contents of this report.

**5. IMPLICATIONS**

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

For further information please contact Ian Nisbet, Internal Audit Manager (01546 604216).12febfinalreport12feb

**APPENDIX 1**



**Internal Audit Report**

**FINAL**

*CORPORATE SERVICES DEPARTMENT*

**Review of Corporate Governance**

December 2008

Prepared by: Charles M. Soane B.Com., C.A.

Reviewed by: Ian Nisbet MBA MSc ACMA MIIA

**CONTENTS**

	Page
1. CONTENTS	1
2. BACKGROUND	2
3. AUDIT SCOPE AND OBJECTIVES	2
4. AUDIT APPROACH	2
5. DETAILED FINDINGS	3
6. CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES	6
7. ACKNOWLEDGEMENTS	6
ACTION PLAN	APPENDIX 1
EXAMPLE TIMETABLE	APPENDIX 2

## 1. BACKGROUND

1.1 This report has been prepared as a result of the Internal Audit review of Corporate Governance as part of the 2008/2009 Internal Audit programme.

1.2 Governance in local government is currently defined by CIPFA/SOLACE and the Audit Commission as follows:

‘Governance is how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely inclusive, open, honest and accountable manner. It comprises the systems and processes for the direction and control of local authorities through which they account to, engage with and lead their communities.’

1.3 CIPFA and SOLACE published a revised Framework for ‘Delivering Good Governance in Local Government’ in 2007. The Framework was intended to define the principles that should underpin the governance of local authorities and provides a structure to assist authorities with their own approach to governance. The Framework has taken the six core principles, from the ‘Good Governance Standard for Public Services’ (2004), and adapted these principles for local government, identifying eighteen supporting principles.

1.4 Guidance notes covering England & Wales were issued in 2007 with the revised framework, but it wasn’t until May 2008 that a CIPFA/Solace guidance note for Scottish Local Authorities was published. This identified fifty four local code requirements underlying the principles.

1.5 The Local Government in Scotland Act 2003 placed a statutory duty of Best Value on local authorities. It has been suggested that Audit Scotland’s reports on Best Value audits of Local Authorities indicate that those authorities that have made limited progress with Best Value overall have important governance issues to address, and it is these issues which are limiting their ability to improve.

## 2. AUDIT SCOPE AND OBJECTIVES

The objective of this review is to:-

- Ascertain the council’s current arrangements for monitoring Corporate Governance, and
- Assess the impact of the new CIPFA Corporate Governance Framework and Guidance Note for Scottish Authorities on this Council

## 3. AUDIT APPROACH

3.1 The current arrangements for preparing the Statement on the System of Internal Financial Control in the Annual Financial Statements were reviewed

- 3.2 The current arrangements for Corporate Governance were reviewed in relation to:-
- the Framework for Delivering Good Governance in Local Government, and
  - the Guidance Note for Scottish Authorities
- 3.3 A draft report was compiled after issues identified from the review were discussed with the Governance & Risk Manager and the Head of Strategic Finance.
- 3.4 The framework is at an early stage of development and an Action Plan is included with this report highlighting some of the key issues that are currently being addressed.

#### 4. DETAILED FINDINGS & RECOMMENDATIONS

##### 4.1 Legislative Framework

Scottish authorities are required by the local authority Statement of Recommended Practice ('SORP') to include a statement of internal financial control with their Annual Accounts. However, the more recent CIPFA framework document Delivering Good Governance in Local Government recommends that the review of effectiveness of the system of internal control should be reported in an annual governance statement.

Audit Scotland have subsequently released a Technical Bulletin 2008/2 in June 2008 clarifying that authorities are encouraged (but not required) to include an annual governance statement with their accounts instead of the option to include a statement of internal control.

##### **Recommendation:**

Argyll & Bute have included a statement of internal financial control with their 2007/08 Annual Accounts, while certain Scottish authorities are already including an annual governance statement. In determining when the authority includes an annual governance statement with the accounts, consideration must be given to the existing governance arrangements and any necessary changes that would need to be made to fully comply with the new framework.

**Refer to Action Plan No 1**

##### 4.2 Statement on System of Financial Control

The statement on the system of financial control in the accounts includes the other bodies whose activities are incorporated in the Group Accounts, i.e.

- Strathclyde Joint Police Board
- Strathclyde Fire and Rescue Board
- Dunbartonshire and Argyll & Bute Valuation Board



- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Argyll, Bute & the Dunbartonshires' Criminal Justice Social Work Partnership

The review of the effectiveness of the system is carried out by the Head of Strategic Finance, placing reliance on:-

- the work of Directors and managers within the Council
- the work of Internal Audit within the Council and the above named bodies
- the work of the Audit Committee as set out in their Annual Report to the Council
- the External Audit annual audit letter and other reports
- the statements of Internal Control provided by the above named bodies

This is the first year that the Audit Committee have prepared a report to the Council, in response to a recommendation by External Audit, Grant Thornton UK LLP arising from a compliance review with the Code of Practice for Internal Audit in Local Government.

Within their report, the Audit Committee express an opinion that the Council has good arrangements for Corporate Governance and has adopted the principles of Good Governance. This is based on their work during the year together with a formal identification of the codes within the Council Constitution, reports and other documentation which support the following dimensions of the Council's business:

- Community Focus
- Service Delivery Arrangements
- Structures and Processes
- Risk Management and Internal Control
- Standards of Conduct

This report has been framed in terms of the CIPFA Template Code of Corporate Governance issued in 2002 and the Audit Committee's 2008/09 report will require to be updated to reflect the updated six core principles, and supporting principles identified in the Framework for Delivering Good Governance in Local Government.

**Recommendation:**

An annual review of the governance arrangements should be carried out by Internal Audit, in support of the opinion being expressed by the Audit Committee.

**Refer to Action Plan No 2**

#### 4.3 **The Framework for Good Governance in Local Government**

The Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and making adopted practices open and explicit. At present the Council does not have a formalised local code of governance although many of the constituent parts are included within the Council Constitution, the Corporate Plan 2007-2011 and beyond, and the Risk Management Strategy.

To achieve good governance the Council needs to demonstrate that it is complying with the core and supporting principles contained in the Framework. Progress has been made by the Corporate Governance & Risk Manager, with assistance from Internal Audit, in developing a local Corporate Governance Framework appropriate to the Council's circumstances. However, further work will be required to ensure that underlying documents that form part of the framework are current and being kept under regular review.

##### **Recommendation**

The framework should be completed within the timescales for the 2008/2009 Accounts, to support the statement of Internal Control prepared by the Audit Committee. See Appendix 2 where an example timetable is provided, listing key events/milestones. Responsible officers should be nominated, who have appropriate knowledge, expertise and levels of seniority to assist with the preparation and initial review of the framework. Thereafter, the framework must be maintained and updated on a regular basis. There is already a similar structure for risk management.

**Refer to Action Plan No 3**

#### 4.4 **Self Assessment**

The Guidance for Scottish Local Authorities provides for self assessment of the Local Authority governance arrangements. The local Code developed by the Council should have examples of systems, processes and documentation to demonstrate compliance with the principles, along with a self evaluation, the results from which will form the basis of an improvement plan.

In addition, the Council will need to demonstrate, through documentary evidence and action, that its governance arrangements meet the criteria set out in the Framework. In order that this is not seen as a box ticking exercise, the guidance suggests scoring the authority's arrangements on a scale of 1 to 4.

##### **Recommendation**

The Council must determine an appropriate structure and assign responsibility for formally assessing the governance arrangements and preparing an improvement plan to accord with the principles of Best Value and the anticipated self assessment regime under the Single Outcome agreements. This is likely to involve the Section 95

Officer, the Monitoring Officer, and representatives from performance, audit and risk, with subsequent referral to the Executive and the Audit Committee.

**Refer to Action Plan No 4**

## **5. OVERALL CONCLUSION AND ASSESSMENT AGAINST OBJECTIVES**

The Guidelines for Delivering Good Governance in Local Government have been published at a time of significant change within local government in Scotland. The introduction of proportional representation has resulted in many Scottish Councils having no overall control by one political party. In addition, the Single Outcome agreements concluded between the Scottish Government and each Council has enhanced the need for high standards of governance, to demonstrate that the principles of Best Value and Accountability have been adopted.

The Guidance Note for Scottish Authorities is aimed at assisting authorities in:

- considering how they might go about reviewing their governance arrangements
- developing and updating their own local code of governance
- demonstrating compliance with the principles of good governance.

The Council are progressing preparation of a local code but require to determine appropriate arrangements to review, maintain and update this on a regular basis. The framework should be reviewed on an annual basis by Internal Audit in support of the Audit Committee Annual Report and consideration should be given to replacing the Statement on the System of Internal Control with an Annual Governance Statement in the Annual Accounts for 2009/2010.

## **6. ACKNOWLEDGEMENTS**

- 6.1 Thanks are due to the Governance & Risk Manager for his co-operation and assistance during the Audit and the preparation of the report.
- 6.2 Argyll & Bute Council's internal audit section has prepared this report. Our work was limited to the scope in section 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.
- 6.3 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 1 ACTION PLAN**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	In determining when the authority includes an annual governance statement with the accounts, consideration must be given to the existing governance arrangements and any necessary changes that would need to be made to fully comply with the new framework.	High	Following completion of the initial framework for the 2008/09 Accounts, the resultant action plan should be reviewed to determine the timescale for preparing an annual governance statement.	Head of Strategic Finance	June 2009
2	The framework should be completed within the timescales for the 2008/2009 Accounts, to support the statement of Internal Control prepared by the Audit Committee.	High	An outline plan for the development of the initial framework should be prepared determining appropriate resource requirements and key reporting dates.	Governance & Risk Manager	December 2008
3	Responsible officers should be nominated, who have appropriate knowledge, expertise and levels of seniority to review, maintain and update the framework on a regular basis. There is already a similar structure for risk management.	High	Arrangements for preparing and maintaining the framework should be formalised with the nominated responsible officers being reflected on the framework.	Governance & Risk Manager	January 2009

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	Responsibility must be assigned for formally assessing the governance arrangements and preparing an improvement plan to accord with the principles of Best Value and the anticipated self assessment regime under the Single Outcome agreements.	High	Proposed responsibility and arrangements for formally assessing the governance arrangements, together with the preparation of an improvement plan should be submitted to the SMT for approval.	Head of Strategic Finance	January 2009

**APPENDIX 2**

**EXAMPLE TIMETABLE**

<b>Nov. 2008</b>	<b>Outline Framework Prepared</b>
<b>Dec. 2008</b>	<b>Meeting to determine Council requirements &amp; responsibilities</b>
<b>January 2009</b>	<b>Report proposed arrangements to SMT</b>
<b>Dec.2008 – Mar.2009</b>	<b>Develop local code &amp; framework</b>
<b>April 2009</b>	<b>Framework and Improvement Plan Report to SMT</b>
<b>May/June 2009</b>	<b>Framework and Improvement Plan Report to Executive &amp; Audit Committee</b>
<b>June – Dec. 2009</b>	<b>Action improvement plan</b>
<b>Jan. 2010</b>	<b>Progress Report to SMT</b>
<b>Mar. 2010</b>	<b>Review and assess adequacy of Framework for Corporate Governance Statement in accounts</b>
<b>April 2010</b>	<b>Framework and Improvement Plan Report to SMT</b>
<b>May 2010</b>	<b>Framework and Improvement Plan Report to Audit Committee</b>
<b>May 2010</b>	<b>Governance Statement to Executive for Approval for signature</b>

**APPENDIX 2**



**Internal Audit Report**

FINAL

*OPERATIONAL SERVICES DEPARTMENT*

***Review of Catering Procurement***

*JANUARY 2009*

**INDEX**

<b>SECTION</b>		<b>PAGE</b>
1	Introduction	1
2	Audit Scope and Objectives	1
3	Risk Assessment	2
4	Corporate Governance	2
5	Main Findings	2
6	Recommendations	3
7	Audit Opinion	3
8	Acknowledgements	3
Appendix 1	Detailed Findings	
Appendix 2	Action Plan	
Appendix 3	Supporting Information	



## **1 INTRODUCTION**

- 1.1 This report has been prepared as a result of the Internal Audit review of the Catering Procurement operations within Facility Services which are located within the Operational Services Department. Specifically, the audit of Catering Procurement replaces the planned audit of Catering Payroll set out in the audit programme for 2008 – 2009. The Payroll audit will now be undertaken in the next financial year, 2009 – 2010.
- 1.2 Facility Services provide a catering and cleaning service to the Council headed by an Operations Manager and supported by a Project Officer, with staff located at Argyll House, Dunoon and units throughout Argyll & Bute. The catering service have regular contact with 68 schools, 3 leisure establishments, 3 hostels and the restaurant facility located at Kilmory Head Quarters.
- 1.3 The annual budgeted spend on provisions and food is approximately, £1.190million. The service is delivered conforming to statutory requirements set by government (e.g. Nutritional Requirements for Food and Drinks in Schools Regulations 2008) and bodies like the Food Standards Agency.
- 1.4 The catering service supplies are procured using a number of annual contracts. These cover groceries, frozen food, fruit and vegetables, butcher meat, milk and bread and baking. Drinks, chocolate and confectionery are incorporated within the grocery contract.
- 1.5 These contracts have been put in place through the auspices of the ABC Buying Consortium which recently expanded to become Scotland Excel with the intention of achieving even greater buying gains for public sector bodies using this medium.
- 1.6 The brief for Internal Audit was to investigate ways in which the service could reduce its administrative effort without losing control and enhance procurement management information for decision making.

## **2 AUDIT SCOPE AND OBJECTIVES**

- 2.1 The broad objectives of the review were to:
  - Review current systems and procedures to establish whether there is effective control of procurement of catering supplies; and
  - Identify alternative approaches to procurement in order to reduce the level of administrative work at operating units, and improve the provision of procurement management information.
- 2.2 In order to satisfy the above objectives the processes involved in the procurement of catering supplies were reviewed for completeness and accuracy of information, and as there was a management perception that the implementation of a new grocery contract with Brakes through Scotland Excel had resulted in significant problems, we particularly targeted in the review the period pre and post introduction of the new contract.

- 2.3 A desk top exercise was begun to look at procurement solutions that could reduce administration and provide management with information to ensure proper ordering of the relevant products at the right price.

### **3 GOOD PRACTICE GUIDANCE**

- 3.1 The recently issued Scottish Procurement Policy Handbook published in response to The Review of Public Procurement in Scotland provides an overarching statement of the fundamental rules, behaviours and standards applicable to public procurement in Scotland. The Handbook also refers to the Scottish Procurement Competency Framework which has been developed to complement staff development programmes.

### **4 CORPORATE GOVERNANCE**

- 4.1 Catering and Procurement ensure that the Council meets all statutory requirements in relation to the provision of food to children.
- 4.2 The Review of Public Procurement in Scotland recommended that public sector organisations confirm annually that they comply with minimum standards of governance and accountability for procurement.

### **5 MAIN FINDINGS**

- 5.1 Since the commencement of the Scotland Excel Contract the Contract Schedule has been updated by Scotland Excel on eight occasions. It is not clear if all of these were issued to the client authorities at the time.
- 5.2 An analysis of the issued updates shows that 36% were related to the issue of new product codes and 27% related to price increases. It was also noted that 69% of the changes occurred in Schedules 7 and 8 being some 2 months after the contract start.
- 5.2 It was found that in excess of 40% of grocery product lines ordered were for non core product lines.
- 5.3 In discussion with the e-procurement team it was explained that PECOS was not considered an appropriate system for the procurement of catering supplies. Other possibilities had been considered in particular a Purchasing Card option but this remained at an early stage.

### **6 ACTION PLAN and RECOMMENDATIONS**

- 6.1 The action plan attached at Appendix 2 has been compiled with the co-operation and agreement of management.
- 6.2 Internal Audit considers that, in an effort to improve the quality of

Argyll & Bute Council  
Review of Operational Services – Catering Procurement

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.

- 6.3 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 for each classification are set out below:-

**High** - 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;

**Medium** - 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;

**Low** – Observations 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.

- 6.4 One recommendation of high priority was identified as a result of the audit. The recommendations are shown in the action plan set out in Appendix 2 and supporting information is provided in Appendix 3.

## 7 AUDIT OPINION

- 7.1 Based on the findings we can conclude that the controls in place in respect of Catering Procurement procedures are under strain due to administrative pressures. We further believe that these pressures existed previously but have been and will continue to be exacerbated as new expanded contracts are put in place.
- 7.2 Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## 8 ACKNOWLEDGEMENTS

- 8.1 Thanks are due to all staff within the Catering and Cleaning Section of Operational Services at Argyll House, Dunoon. Thanks are also due to the

Argyll & Bute Council

Review of Operational Services – Catering Procurement

Exchequer Manager, ICT and Financial Services based within the Corporate Services Department.

- 8.2 Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in Section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.
- 8.3 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	Weakness Identified	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
2	Appendix 1 1.2	Medium	<p>Expansion has affected the administration requirements of customers and supplier alike. The supplier requires units when ordering to quote the product code number. Scotland Excel did not provide product codes with the first contract schedule. In the initial contract period some 26% of core contract lines ordered were supplied by an alternative product but not at the contract price as would have been expected.</p>	<p>Invoices issued since the commencement of the new grocery contract on 8<sup>th</sup> September should be checked to identify products supplied where a core contract product existed but was not supplied and credit notes requested for the difference in price charged against the contract core product price.</p>	Catering and Cleaning Manager, Facility Services.	31 March 2009

Argyll & Bute Council  
Review of Operational Services – Catering Procurement

Action Plan no.	Paragraph	Grade	Weakness Identified	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
3	Appendix 1 1.3	Medium	Since the commencement of the Scotland Excel Contract the Contract Schedule has been updated by Scotland Excel on eight occasions. It is not clear if all of these were issued to the client authorities at the time. An analysis of the changes shows that 36% were related to the issue of new product codes and 27% to price increases. It was also noted that 69% of the changes occurred in Schedules 7 and 8 being some 2 months after the contract start.	Scotland Excel should be formally advised of our dissatisfaction in the way that the new grocery contract was introduced. This should be done constructively indicating the shortcomings and provide suggestions to ensure that future contracts e.g. Frozen Food do not similarly suffer.  This recommendation should be considered by the Shared Services & Procurement Board who should determine the appropriate level for the Council to express its concerns to Scotland Excel	Head of Facility Services in conjunction with the Exchequer Manager	31 March 2009
4	Appendix 1 1.4	High	The increase in the number of product lines in the Brakes grocery contract via Scotland Excel has required management staff at Argyll House to review the contract schedules (note action point 3 above, 8 issues in 2 months) and amend these by reducing the number of product lines to suit the menu requirements of the units and other interested parties within	In reviewing the procurement procedures as recommended at 7 below consideration should also be given to methods of communication to ensure the prompt exchange of data among all parties in the supply chain.	Facility Services in conjunction with the Exchequer Manager.	31 March 2009

Argyll & Bute Council  
Review of Operational Services – Catering Procurement

Action Plan no.	Paragraph	Grade	Weakness Identified	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
5	Appendix 1 1.5		<p>the Council. These are then posted to all units plus other interested services within Argyll &amp; Bute Council.</p> <p>Catering management have concerns that with an increasing frequency of issue of contract schedules delays are occurring in advising the operating units of changes as there are no computing facilities available within the units for the exchange of emails. Catering also notify contract changes to Community Services, Social Work department, who in turn notify their locations. This is done by email.</p>	<p>Management should review the requirement for making computing facilities available within units.</p>	<p>Facility Services in conjunction with the Exchequer Manager.</p>	30 June 09
6	Appendix 1 1.6	Medium	<p>In excess of 40% of grocery product lines ordered are for non core product lines.</p>	<p>The range of non- core lines being purchased should be investigated to determine if they can be either avoided or included as a core or nominated product thus ensuring the optimum buying price</p>	<p>Catering and Cleaning Manager, Facility Services.</p>	30 June 2009

Argyll & Bute Council  
Review of Operational Services – Catering Procurement

Action Plan no.	Paragraph	Grade	Weakness Identified	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
7	Appendix 1 1.7	High	<p>In discussion with the e-procurement team it was explained that PECOS was not considered an appropriate system for the procurement of the catering products. Other possibilities had been considered in particular a Purchasing Card option but this remained at an early stage. The Government Procurement Card system was identified and with management reporting software developed by the banks promoting the card or an independent software house should be investigated as a procurement method for high volume, low value transactions.</p>	<p>In conjunction with the e-procurement team, Facility Services should investigate purchasing cards to identify suitability for catering product supply contracts as well as software requirements to provide management information promptly and in tandem with card use data processing. From a desk top review the Government Procurement Card would reduce unit staff time checking and reconciling invoices, and cut out the processing of approximately 25,000 invoices to something like 100 monthly statements. It was indicated that the checking of a monthly statement could be done by the e-procurement team. This would also meet the Scottish Procurement Policy Handbook requirement to collaborate with appropriate centres of expertise wherever possible.</p>	Catering and Cleaning Manager, Facility Services in conjunction with the Exchequer Manager.	30 June 2009





This page is intentionally left blank

---

ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE

AUDIT COMMITTEE  
6 MARCH 2009

---

**AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2008 - 2009**

---

**1. SUMMARY**

The Code of Practice for Internal Audit in Local Government (the Code) issued by Chartered Institute of Public Finance and Accountancy (CIPFA) in 2000 and further revised in 2006 sets out good practice in delivering internal audit services. Grant Thornton UK LLP, in May 2007 carried out a Code compliance review and in their resultant report recommended that external audit reports (including Audit Scotland reports) be reported to the Audit Committee. Attached in Appendix 1 is the most recent report from Audit Scotland.

**2. RECOMMENDATIONS**

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

**3. DETAILS**

3.1 Audit Scotland issued an Accounts Commission report in November 2008 entitled, "Priorities and Risks Framework". The Priorities and Risks Framework (PRF) is a tool for external auditors to use when planning the audits of local government bodies in Scotland. It is a document which summarises the key national priorities and risks which face councils in the coming year. The PRF provides auditors with a resource to develop their understanding of current national issues as they relate to their client. Auditors will use it in conjunction with an evaluation of any other local risk areas to establish the key issues facing an individual client.

3.2 The key messages from this national report are attached.

3.3 The full report can either be viewed at [http://www.audit-scotland.gov.uk/work/local\\_national.php](http://www.audit-scotland.gov.uk/work/local_national.php) or viewed in the Members room where a copy has been provided.

**4. CONCLUSIONS**

This report is submitted to the Audit Committee for consideration.

**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). 12febfinalreport126feb

# Priorities and Risks Framework



2008/09 – 2010/11 National Audit Planning Tool for Local Government  
November 2008

# Contents

<b>Foreword</b>	<b>1</b>	<b>Performance Management and Improvement</b>	<b>24</b>
<b>Introduction</b>	<b>2</b>	<b>Risk Management</b>	<b>31</b>
Background	2	<b>Use of Resources</b>	<b>36</b>
The role of the PRF	3	Financial Management	36
Links with the audit of Best Value	4	People Management	44
Looking Forward – Shared Risk Assessment	7	Asset Management	47
Cross cutting issues	7	Procurement	52
Equality and Diversity	8	Information Management	55
Sustainability	10	<b>Service Priorities and Risks</b>	<b>60</b>
Structure of the 2008-09 – 2010-11 PRF	13	<b>Appendix A</b>	<b>62</b>
<b>Priorities and Risks Framework</b>	<b>14</b>	Key challenges identified by Inspectorates	62
Vision and Strategic Direction	14	HMIE	62
Partnership Working and Community Leadership / Engagement	18	SWIA	62
Governance and Accountability	21	SHR	63
		<b>Further information</b>	<b>64</b>
		<b>Glossary of Terms</b>	<b>72</b>

# Foreword

Local government in Scotland has a key role in developing the quality of life in local communities and vital public services including education, social work, housing, roads, refuse collection, leisure services, police services and fire and rescue services. It also has to see that public money is spent wisely and properly.

Services delivered directly, or in partnership with others, involve substantial resources; councils spend around £18 billion each year, employ around 229,500 full-time equivalent staff and use assets worth about £26 billion. Currently there are significant pressures on finances: the economic downturn, meeting the needs of an aging population, requirements such as single status and new national policy expectations such as school class sizes and waste management. These pressures necessitate even greater emphasis on efficiency and the effective use of resources.

In the past year, the concordat between the Scottish Government and COSLA has been signed. The concordat provides more flexibility in how councils spend money and deliver services; in return they are required to give clear commitments through Single Outcome Agreements to achieve outcomes that are important to the government's national policies. The national priorities in the concordat cover activities that are not delivered exclusively by councils and achieving progress requires joint working among partners at a local level. From 2009, SOAs will have to be agreed through community planning partnerships between councils and other public bodies such as health boards and enterprise companies.

The focus on outcomes does not remove the need for good management processes and robust information about the quality, accessibility and value for money of services. Statutory duties relating to Best Value, Community Planning and Public Performance Reporting remain in place and need to be supported by effective performance management systems.

Significant changes are occurring in the scrutiny of public services. The Accounts Commission is assuming a coordinating role to ensure that scrutiny bodies work together to assess risks and plan scrutiny work. In 2009 we move on to the second round of BV audits (BV2) and we are currently implementing a programme of improvements in the audit process to ensure that it continues to support improving services in local government.

Against this background, I am pleased to present our Priorities and Risks Framework (PRF) for 2008-09 to 2010-11. This is now a well established part of our approach to local government audit. In producing the PRF we improve our understanding of local government business and its current context and in discussing the key national priorities and the risks to their achievement with councils as part of our local audit planning, we collect important information which informs our audit approach. We also know that councils obtain value from our application of the PRF locally which helps confirm and inform their assessment of the potential risks they face.

**Caroline Gardner, Controller of Audit**

# Introduction

## Background

1. The local government environment within Scotland has continued to evolve since we issued the last Priorities and Risk Framework document in 2007. The Concordat between COSLA and the Scottish Government has led to the successful development and signing of Single Outcome Agreements (SOAs) between all thirty two councils and the Government by June 2008. Half of these first phase SOAs were developed with Community Planning Partnerships (CPPs).
2. The 2009-10 SOAs are expected to be endorsed by CPP Boards and signed by the Scottish Government, by councils, by the statutory community planning partners and other public bodies in the planning partnerships. The evolving nature of the SOAs will bring fresh challenges and risks in respect of governance, accountability and performance management.
3. In November 2008, the Scottish Government announced a series of proposed reforms to the scrutiny landscape in response to the Crerar report. Audit Scotland, on behalf of the Accounts Commission, is developing a shared approach to risk assessment and planning to enable the delivery of more streamlined and better co-ordinated scrutiny in local government.
4. As part of a more integrated approach to scrutiny we are developing an overarching corporate assessment framework which reflects our theory of improvement, that: *Effective leadership, good governance and sound management are necessary conditions for the delivery of sustainable continuous improvement and effective outcomes*. The corporate assessment framework will be used as a primary component of our revised approach to the audit of best value and will also be reflected in the PRF process and our audit planning.
5. The PRF is now a well established part of our audit approach and this year we have moved to a three year period covering 2008-09 to 2010-11 which we will update annually to reflect changing priorities and related risks. In this edition of the PRF we also provide more detail about the role of the PRF, and its connections with our other work, including our programme of national performance audit studies and our audits of Best Value and Community Planning.
6. As in the past, we have consulted with colleagues in local government on the content of the PRF by means of a stakeholder meeting and we are grateful to them for their advice and guidance.



## The role of the PRF

7. The PRF is used by auditors to help plan the risk-based audits of councils. It identifies the key national priorities facing councils and the main risks to their achievement. This helps to ensure that audit work takes account of sector specific national priorities and risks.
8. The PRF is designed primarily to inform local audit planning, but it is also an integral part of the overall approach to local authority audit. In summary, the PRF sets out the priorities for local government and the main risks to their achievement as we see them; the Sector Plan reflects our assessment of the audit priorities, what we need to do and how we are going to go about doing it; and Overview Reporting brings together the outputs and outcomes from the audit work to show themes, trends and other matters we wish to highlight.
9. Auditors discuss the risks contained in the PRF with councils and the national view through the application of the PRF is combined with the auditor's understanding of the key priorities and risks operating at the local level. This overall assessment of risk informs the auditor's decisions on where to target audit resources. This approach helps meet the requirements of the Code of Audit Practice and International Standards on Auditing which require auditors to obtain an understanding of the client's business and environment.
10. Local discussions on the PRF represent an important annual engagement with the most senior management in councils. They have the potential to make a significant contribution to our intelligence gathering and national reporting and influence our programme of national performance audit studies. The application of the PRF also provides a useful source of early intelligence for the Accounts Commission about the risks facing the local authority sector. Throughout this document most references are to the issues and risks facing councils, however many of the issues will also apply to joint boards and other bodies.
11. It is important to note that auditors do not carry out detailed audit work on all the matters set out in the PRF. Also, we recognise that even though the steps taken by councils to address issues in the PRF may be weak, it does not necessarily follow that the risks will crystallise. We also acknowledge that risks exist in all organisations committed to continuous improvement. The objective is to be risk aware, with sound processes for risk management, rather than risk averse. Organisations that seek to avoid risk entirely are unlikely to achieve Best Value as risk assessment (weighing up possible risks and rewards) is key to identifying opportunities.

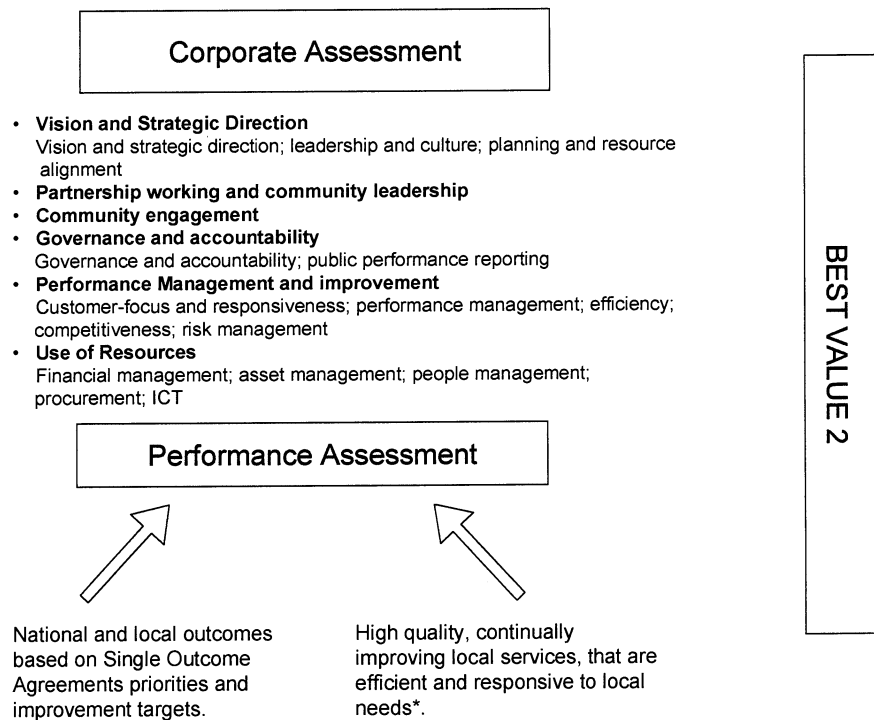
## Links with the audit of Best Value

12. Outputs gathered through the application of the PRF; other intelligence such as Best Value findings and follow-up work; the views and risk assessments of inspectorates; self assessments and other performance analysis are playing a key part in ensuring that the second round of Best Value audits (BV2) is proportionate and reflects the national context and local circumstances. The PRF process is making an important contribution to streamlined scrutiny.
13. In February 2008, the Scottish Government invited the Accounts Commission to take on a gate keeping role, through Audit Scotland, in relation to local government scrutiny, with the aim of moving to a position where Best Value is the key corporate assessment tool and is better aligned with other corporate audit and performance processes.
14. The Commission welcomed the opportunity to work with other scrutiny bodies to carry out their role in providing assurance about the performance of councils and supporting improvement as efficiently and effectively as possible, and to contribute towards better public services for the people of Scotland.
15. Spring 2009 will be a watershed for most of the scrutiny bodies in local government, with major decisions due to be made about the future of BV audits and HMIE's INEA inspections; the completion of the first cycle of the HMIE-led child protection inspections and the first cycle of SWIA's performance inspections; the possible implementation of HMIE-led Services for Children inspections; and likely changes to the minimum frequencies of inspection for the Care Commission.
16. Whilst the Scottish Housing Regulator's baseline cycle of inspections of local authority housing and homelessness services is not due to be completed until 2009/10 it is committed to supporting the introduction of a single framework for assessing local authority performance.
17. The Government's National Performance Framework (NPF) assumes a continuing programme of inspection of child protection in local authority areas regarding outcomes for vulnerable children. Indicator 13 of the NPF is founded on the proportion of inspection reports that are positive.
18. The Commission has therefore agreed to work with the other scrutiny bodies over the next nine months to develop and pilot a shared approach to risk assessment and planning, to enable the delivery of more streamlined and better co-ordinated scrutiny in local government.
19. The work completed during 2008 has allowed the Commission to identify those councils where there is an immediate opportunity to improve the co-ordination of scrutiny. Round table meetings for each of these councils have been held to co-ordinate the planned work, and a schedule has been produced setting out the targeted scrutiny activity and the improvements made. Whilst the primary purpose of

these meetings was to deal with short-term improvement in scrutiny scheduling and secure more proportionate scrutiny responses, the meetings also provided useful insights into how the Commission might assess risk for future joint scrutiny planning and strengthen reliance on the work of other scrutiny bodies.

20. The Accounts Commission is committed to the development of the Best Value audit (BV2) in the light of their experience of the first round of audits.
21. The Commission has agreed with colleagues in the other scrutiny bodies that this work can fulfil the requirement for a single corporate assessment of local authorities. The audit framework includes a risk-based and proportionate corporate assessment (exhibit 1) and the Commission is committed to working together to develop it so that it fulfils the requirements of all the scrutiny bodies in this area.

**Exhibit 1**  
**The audit framework for Best Value 2**



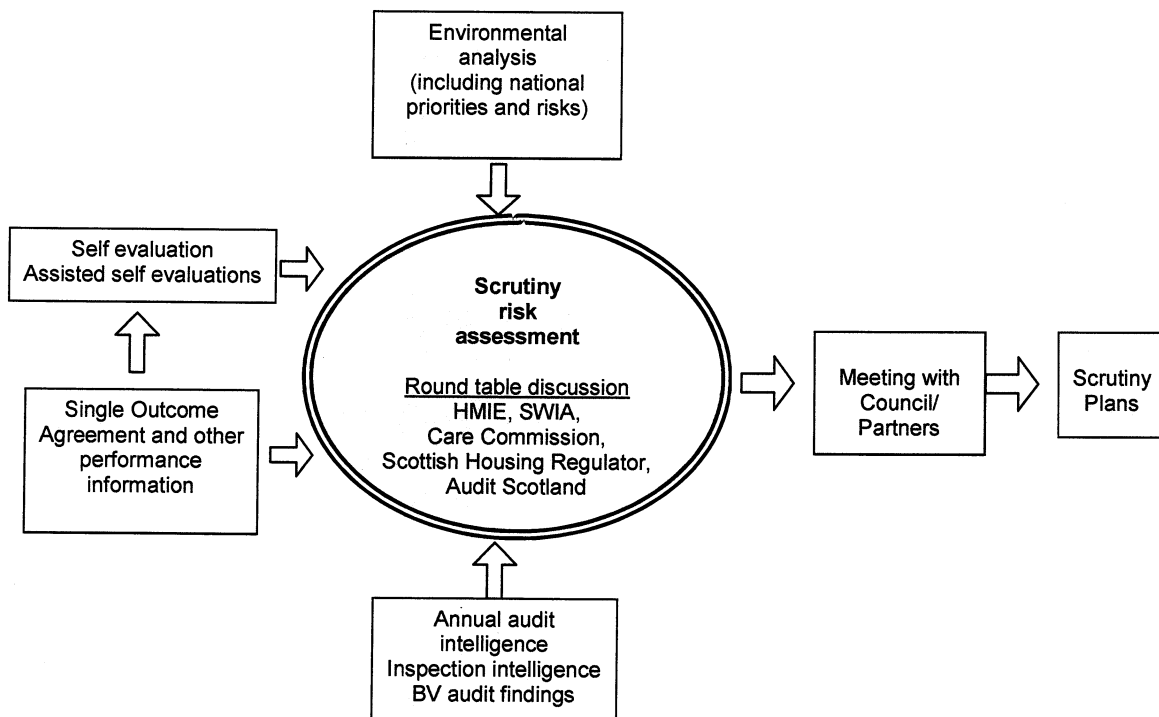
\* National outcome 15

Source: Audit Scotland  
National Outcome 15 – Our public services are high quality, continually improving, efficient and responsive to local people's needs

22. One of the distinctive features of BV2 is the central role of risk assessment. Current thinking is that a shared risk assessment would be carried out annually for each council; this would form the starting point for planning, leading to a rolling three year scrutiny programme and a plan for each council. The scrutiny plan would set out the detailed scrutiny activity to be undertaken during this period, and how and when this work will be undertaken (with the caveat that there will always be a need for regulation to be able to react swiftly when a significant problem is identified). Note that the timing of a second programme of HMIE child protection inspections will be considered as part of the BV2 scrutiny plan.
  
23. A potential model for delivering the shared scrutiny risk assessment and joint scrutiny planning is shown at exhibit 2. This model also reflects the recent proposals from the Reducing Burdens Action Group to Scottish Ministers designed to deliver a proportionate and intelligence-led approach to audit and inspection.

**Exhibit 2**

**Shared scrutiny risk assessment and joint scrutiny planning**



Source: Audit Scotland/RBAG report to Ministers

24. Effective risk assessment needs good intelligence on the organisation being assessed. This is likely to include a range of quantitative data (e.g. service performance activity, quality and cost) supported by qualitative information.

## Looking Forward – Shared Risk Assessment

25. There is still a good deal of work to do to develop a risk assessment methodology that offers assurance that planned audit and inspection activity is both proportionate and adequate, but the Commission and Audit Scotland are confident that this can be delivered in 2009. Achievement of this, however, will also require a much stronger commitment from local government in developing consistently good performance management systems that can provide the performance information required. As Crerar pointed out, responsibility for performance lies primarily with service providers and external scrutiny arrangements should complement performance management arrangements.
26. Experience to date has confirmed that there is real commitment from all the scrutiny bodies to this work but this is a complex issue and there are many challenges still to overcome, including:
- trust and reliance on the work of each scrutiny body
  - the need for enabling legislation
  - risk management and a mechanism for resolving disputes about the scrutiny required
  - communication with local government and other stakeholders.
27. Expectations are that this work will lead to reductions in the overall cost of scrutiny and also to improvements in effectiveness. This will require changes in working practices and changes in the focus of our work. As part of that process we anticipate seeing more flexible use of resources and a greater emphasis on risk assessment and improvement support.

## Cross cutting issues

28. In addition to the headings under the corporate assessment heading at Exhibit 1, there are a number of cross cutting issues that are important elements of the overall audit approach, including equality and diversity, and sustainability.

This page is intentionally left blank



## Equality and Diversity

### Why equality and diversity are important issues

29. Equality and diversity are widely recognised as fundamentally important factors in the sound management of a modern, effective organisation – whether in the private or public sector. The Accounts Commission, through appointed auditors, has the opportunity and authority to assess and report how well councils are meeting their equalities responsibilities.
30. Councils can find it hard to understand and manage the full range of their equalities obligations. Equalities legislation has developed piecemeal since the 1970s to the point where there are now nine major pieces of discrimination legislation; around 100 statutory instruments setting out connected rules and regulations; and more than 2,500 pages of guidance and statutory codes of practice.
31. The legislation that may apply in a particular set of circumstances is not always obvious. Certain legislation is specific to a particular equality strand, such as race or gender. Other legislation is more generic and touches on all equality strands.
32. The form and function of equalities legislation has evolved over the years. The early legislation on race equality was most concerned with bodies' organisational arrangements compared to some later legislation, where the impact on people has greater emphasis. The equality duties on race, gender and disability vary in their style and requirements and have different reporting timescales. Councils tell us they see benefits in managing their equalities responsibilities in a more harmonised way, legislation permitting.
33. In November 2008 the Accounts Commission published a report titled '*The impact of the race equality duty on council services*'. The report found that while councils have developed policies on race equality they now need to ensure that these have a positive impact on people from minority ethnic communities, through the design and delivery of services. The report concludes that councils need to build a better understanding of the needs of their minority ethnic communities; mainstream their approach to race equality; and give more priority to race equality in delivering services.

### Key risks

#### ***Councils risk continuing to follow a culture of compliance***

34. Findings from the recent study into race equality and from audits of best value and community planning indicate that councils tend to feature a compliance culture on equalities issues. Councils have tended to focus on meeting their legislative commitments rather than trying to define the equalities outcomes they wish to achieve – for example by developing documents such as an equality



scheme for each of the three core duties on race, gender and disability. However, these high-level arrangements have not always linked into key processes such as service planning, service delivery or performance reporting.

***Councils risk refining their management arrangements without ensuring they make an impact***

35. Councils have concentrated on embedding organisational arrangements and processes, such as improving community engagement and consultation, staff training, performance management and reporting on employee monitoring. While these are all important, they are not an end in themselves and it is paramount that a council's intended outcomes are also clear. Councils have often found themselves falling short of mainstreaming equalities at all levels of their organisation. If councils do not have a clear set of objectives at corporate and service levels, they risk suffering from a lack of explicit direction, and from being in a weak position to deliver the benefits to employees and communities that their equality duties anticipate.

***Councils risk being unable to evidence their performance against their equality duties***

36. The study into the impact of the race equality duty found that councils have difficulty giving a clear, evidence-based account of their performance against the race equality duty. Best value audits paint a similar picture on other equality strands, such as gender and disability. Councils have, overall, conducted very few impact assessments on services and are poor at planning prioritised programmes of impact assessments across the full range of services they deliver. Councils find their performance on these more recent aspects even harder to evidence: age, sexual orientation and religion/belief.
37. If councils cannot systematically evidence their approach to equalities and their performance, they are at risk of being criticised by their electorate, their workforce and the Equality and Human Rights Commission (EHRC). The EHRC recently came close to taking action against Aberdeen City Council over its approach to impact-assessing the consequence of closing a specialist day care centre.

## Looking forward

38. Audit Scotland continues to promote the equalities agenda at a number of levels:
- Audit Scotland's corporate plan 2007-10 sets out commitments with an equality dimension: support for democratic scrutiny; maximising the value of the audit; and building an effective and efficient organisation
  - Statutory Performance Indicators cover aspects of equalities
  - Equality issues are a standing item in each Best Value audit
  - Diversity and equality issues are considered in the scoping of new national studies.





39. Specific aspects of authorities' arrangements may come under scrutiny as part of a risk-based approach and could include such issues as how the legislation is enforced; how equalities issues are managed in service provision; changes to service design and delivery; recruitment and selection; public performance reporting; how complaints on equalities issues are recorded and responded to.
40. The recent Accounts Commission report on race equality recommends that councillors and senior managers in councils ensure race equality is incorporated into the improvement management approaches they have already established under Best Value, and do more to identify and share good practice. It also calls for support from key national organisations including the Equality and Human Rights Commission, Scottish Government, Improvement Service, Convention of Scottish Local Authorities, and the Society of Local Authority Chief Executives and Senior Managers. Many of the report's findings and recommendations are relevant to how authorities address their other equality responsibilities.
41. In June 2008, the UK government published plans for a new equality bill. The bill is intended to pave the way for a single equalities act for the UK and bring race, disability, sex and other grounds of discrimination within one piece of legislation, under one over-arching equality duty. Under the new bill, the government also plans to: outlaw age discrimination; require more transparency by public bodies; extend the scope of positive action in recruitment; and strengthen provision for enforcement action. The present statutory equality duties on race, gender and disability all remain in place until such time as a Single Equality Act arrives. Lessons learnt by councils from meeting the race equality duty should be helpful in securing their effective delivery on any new duty.

## Sustainability

42. Best Value audit work to date highlights that in relation to sustainability, the primary focus of council efforts have been on waste management and energy management, where they have been supported in recent years by external funding. There is a real risk that progress towards the government's wider sustainability agenda and proposed targets will be insufficient. At present the majority of local authorities are unable to demonstrate their contribution to sustainability and there remains significant scope to develop performance management systems and introduce quality of life indicators (as referred to in statutory BV guidance) to strengthen this.
43. Local authorities play a pivotal role in helping achieve the Scottish Government's overall purpose to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Our approach to auditing their contribution to this and their impact on climate change is developing and will be shaped in the near future by the introduction of climate change legislation.



44. The Scottish Government recognises that climate change is one of the most serious threats we face as a global community and is determined that Scotland will play a leading role in the international effort to reduce greenhouse gas emissions. All sections of Scottish society need to take action on climate change. In this context, the whole of the public sector in Scotland has a fundamental role to play, showing leadership on its own account and setting and delivering policies that encourage and enable action by others. To this end the government is introducing a Scottish Climate Change Bill that will include enabling provisions to allow duties to be placed on public bodies to take action on climate change.
45. The Scottish Government is committed to working in partnership with other parts of the public sector in responding to climate change. An example of this commitment is Scotland's Climate Change Declaration, a voluntary declaration signed by all Scottish local authorities committing them to contribute to the delivery of Scotland's and the UK's climate change programmes, including actions to address greenhouse gas emissions from their own operations and to encourage and work with others in the local community to take action to reduce emissions and to adapt to the impact of climate change. The Scottish Government supports the Sustainable Scotland Network to provide assistance to local authorities in meeting their commitments in Scotland's Climate Change Declaration. The Scottish Government has also entered into Single Outcome Agreements with each local authority which are aligned with the National Performance Framework and has issued guidance to public bodies to ensure that they too are aligned with the National Performance Framework, which includes targets to reduce emissions over the period to 2011 and by 80% by 2050.
46. The target to reduce Scotland's greenhouse gas emissions by at least 80% by 2050 (from the 1990 baseline set in the Kyoto Protocol), is one of the most ambitious in the world. It will form the keystone of the Bill. The Scottish Government is clear that emissions reductions should be achieved in the most cost effective way possible in support of its commitment to increasing sustainable economic growth in Scotland. Setting an ambitious long-term emissions target will not be enough in isolation to drive the emissions reductions that are required. The Bill will therefore establish:
- an interim target to reduce Scotland's greenhouse gas emissions by 50% by 2030 (achieving this 50% target by 2030 will require average annual emissions reductions of greater than 3% from 2010); and
  - a robust statutory framework based on annual targets to ensure action is taken continuously over the period up to 2050. These annual targets will be based on expert advice from the UK Committee on Climate Change and will be set more than 10 years in advance so that private and public sector organisations can plan with certainty over the longer term.



47. The Scottish Climate Change Bill will place strong duties on Ministers to report progress towards meeting the emissions reduction targets set by the Bill. In addition, the Bill will also require regular reporting of Ministers' plans and policies to help Scotland adapt to the effects of climate change.
48. Other aspects of the Bill that will have an impact on local authorities include:
- **Energy efficiency action plan:** the importance of helping people to consume less energy, thereby reducing emissions and saving money, is reflected in the Bill requiring Scottish Ministers to produce an energy efficiency action plan which is regularly reported upon, reviewed and updated.
  - **Waste reduction and recycling:** helping Scotland to become a zero waste society is one of the Scottish Government's priorities and the Scottish Climate Change Bill will include enabling powers to allow Scottish Ministers to make regulations to reduce waste and encourage recycling.
  - **Improving the energy performance of existing non-domestic buildings:** many existing non-domestic buildings in Scotland have inadequate levels of thermal insulation, and inefficient heating and cooling systems. Scottish Ministers want to encourage building owners to carry out improvement work which increases the energy performance of their buildings. This will not only save money on future energy costs but will help to reduce the emissions that these buildings produce. Consultation on specific proposals for improving the energy performance of existing non-domestic buildings is ongoing. If any legislative measures are needed to take forward the policies which result from this consultation it is anticipated that these will be incorporated in the Scottish Climate Change Bill.
  - **Renewable heat:** Scottish Ministers aim to build a commercially viable, diverse, renewable heat industry in Scotland in support of meeting the Scottish Government's proposed 2020 renewable energy target of 11% of heat demand to come from renewable sources. The Bill will contain enabling powers to allow the creation of regulations to promote and incentivise the generation of heat from renewable sources.
49. Another example of sustainability is demographic change and its impact on demand for services. In particular Scotland's ageing population profile will lead to a rising demand for social care services, which current arrangements do not provide for. Demographic changes will also affect demand for schools, demand for places may decline in some areas and rise in others, and other services.
50. The issue of how organisations plan for and achieve sustainability is one of the most challenging long term questions facing the public sector and this is reflected throughout this document. As ever, careful long term planning is crucial.



## Structure of the 2008-09 – 2010-11 PRF

51. To better align our PRF as part of a more integrated approach to scrutiny we have adopted the proposed overarching corporate assessment framework. This reflects our theory of improvement: *Effective leadership, good governance and sound management are necessary conditions for the delivery of sustainable continuous improvement and effective outcomes.*
52. To promote the links described above between the PRF and other work, we have set out this year's PRF under headings that reflect those we are using to develop the corporate assessment for Best Value 2(BV2) (Exhibit 1). As such, the section headings are:
- Vision and strategic direction
  - Partnership Working and Community Leadership / Engagement
  - Governance and Accountability
  - Performance management and improvement
  - Risk management
  - Use of resources (financial management; people management; asset management; procurement; information management)
  - Service priorities and risks.

---

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

**AUDIT COMMITTEE**  
**6 March 2009**

---

**EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2008 – 2009.**

---

**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 31<sup>st</sup> December 2008.

**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, 2006/07, 2007/08 and 2008/09 Internal Audit reports issued prior to December 2008. 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 2008. 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 2008. The second document lists action points outstanding from the previous Audit Committees. These are points that should have been implemented by 30th September 2008 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)

11 February 2009

Internal Audit Report Follow up - Summary

Reports With Recommendations Due From October to December 2008

Audit	Report Date	Points to be actioned by 31 December 2008	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
<b>2008/09</b>					
Review of Purchasing 2008/2009	November 2008	1	1	0	
Review of Staff Travel & Subsistence 2008/2009	November 2008	3	3	.	
<b>Total</b>		<b>4</b>	<b>4</b>	<b>0</b>	

This page is intentionally left blank



Points Outstanding From Previous Audit Committee

Audit	Report Date	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2008	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Review of Contract Hire & Operating Leases	December 2007	3	3	0	3	A2.4&7
Review of Council & Committee Decision follow-up	November 2007	3	3	0	3	B2.4&8
Review of Creditors 2007/2008	November 2007	1	1	1	0	
Review of General Ledger Operations - Bank Reconciliations	June 2008	1	1	0	1	C1
Review of New Legislation	February 2007	1	1	1	0	
Review of Purchasing & e-Procurement	March 2007	1	1	1	0	
Review of School & Public Transport 2007	August 2007	1	1	0	1	D3
Review of the Prudential Code	April 2005	2	2	0	2	E1&15
Review of the Risk Management Framework	December 2006	1	1	0	1	F1
Total		14	14	3	11	

This page is intentionally left blank

## APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
<b>A - REVIEW OF CONTRACT HIRE &amp; OPERATING LEASES</b>							
2	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 31 December 2008	July 2009	This recommendation is a shared task. Work has been carried out regarding the development of a procurement strategy for printers. At the same time a printer strategy is being prepared and that will seek to reduce the number of printers.
4	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	31 December 2007 18 September 2008	Steps commenced	Action has commenced on making a case re for funding of a high level bridge. Difficulty being faced is cessation of ferry will result in a reduction in RSG funding.  This work is focussed on the overall cost to the public purse (irrespective of where that cost falls) comparing capital costs and repayments against RSG

## APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
							<p>support and operating costs.</p> <p>As this work will have to compare long term discounted costs for capital works against short term operating costs there is a need to ensure the comparison is accurate and can be convincing to the Scottish Government if we feel there is a case to be made.</p> <p>If there is no case to be made then the investment needs will need to be met by a proper Asset Management approach, which we will be flagging up in our Piers and Harbours Business Plan, which we plan to bring to the Council as part of our information linking to the response we will make to the Scottish Ferries Review process.</p>
7	MATERIAL	The potential savings from the use of the advanced networking facilities available throughout the Council based on the experience gained from	Once the potential savings have been estimated a report is to be produced for management forecasting the potential savings. This report	Head of ICT & Financial Services and Head of Democratic	31 March 2008 30 September 2008	31 October 2009	The print room merger has commenced under Prince2 process and will complete April 2009. the uniflow project will commence at the

## APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
		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.	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.	Services & Governance			conclusion of the merger and successful go live.
<b>B - REVIEW OF COUNCIL &amp; COMMITTEE DECISION FOLLOW-UP</b>							
2	MATERIAL	An evaluation and assessment of the benefits obtained from the implementation of the recommendations arising from the Legal services Best Value Review has yet to be completed.	The Head of Legal & Protective Services should submit an annual report to SMT on the outcomes and benefits arising from the Legal Services Best Value Review. Legal Services should continue to monitor and assess the benefits of the partnership with Brodies by means of regular meetings. This should also be included in the annual report.	Head of Legal & Protective Services	31 March 2008 31 October 2008	31 March 2009	A review meeting was held with Brodies on 13/11/08. A report to SMT no later than end of March 2009.

## APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
4	FUNDAMENTAL	Implementation of the Car Parking Strategy agreed by Council in September 2004 needs to be accelerated, thereby restricting further loss of income to the Council.	Roads and Amenity Services will ensure that implementation of the Car Parking Strategy is closely monitored and brought to a conclusion as soon as possible. If there are to be any changes to the strategy then this is a decision that will have to be made by members of the Council. Reports will have to be presented to the Local area Committees.	Head of Roads & Amenity services	29 February 2008 29 December 2008	Steps commenced	<p>Action has commenced on implementation of the Car Parking Strategy. Reports have been presented to Area Committees and there are also some elements of the implementation process being taken forward by Legal Services. Decisions from the 2009/2010 budget process.</p> <p>The Director of Operational Services has asked for bi-monthly updates of this and any blockages on implementation to be emphasised .</p>
8	MATERIAL	It has been identified that there are approximately 41 to 50 TPOs outstanding.	Legal Services has agreed with Planning Services that Legal staff will be directed to address the backlog of TPOs, on a prioritised basis to be agreed with Planning.	Head of Legal & Protective Services and Head of Planning	31 March 2008 30 November 2008	May 2009	Provisional orders should be completed for all areas by the end of May 2009.

## APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
<b>C - REVIEW OF GENERAL LEDGER OPERATIONS - BANK RECONCILIATIONS</b>							
1	MATERIAL	There are not always adequate written procedure notes kept by each officer responsible for individual bank reconciliations	Written reconciliation procedures or flowcharts are to be prepared for all main bank accounts ( note: HB & Income procedures received - Local Tax and Expenditure outstanding).	Head of ICT and Financial Services	30 September 2008 31 December 2008	31 March 2009	Local Tax Bank Reconciliation: commenced writing up notes in December and yet to be finalised. Intend to have completed and notes tested by 31 March 2009.
<b>D - REVIEW OF SCHOOL AND PUBLIC TRANSPORT 2007</b>							
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 Manger	30 November 2007 30 April 2008 30 November 2008	31 May 2009	Not completed due to staffing position and now further delayed due to current tendering round.
<b>E - REVIEW OF THE PRUDENTIAL CODE</b>							
1	MATERIAL	The cost of the Campbeltown Community Project is significant and there would be benefit in carrying out a post completion review.	A post completion review of this project is to be carried out at the end of 2005/06	Head of Strategic Finance	31 March 2007 30 September 2007 30 April 2008 31 December 2008	30 August 2009	Arrangements are being made to complete the post completion review with a number of other projects. Head of Strategic Finance has held off arranging this review until the other projects were complete.
15	MATERIAL	Existing strategy limitations restricts investment returns. There is an opportunity for increased returns at minimum risk	investment strategy indicators to be reviewed upon receipt of new regulations with the aim of increasing returns	Finance Manager - Development Services	30 June 2006 31 March 2007 30 September 2007 30 June 2008	30 June 2009	Scottish Government still to issue Investment Regulations.

## APPENDIX 2

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
					31 December 2008		
<b>F- REVIEW OF THE RISK MANAGEMENT FRAMEWORK</b>							
1	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 and Governance	30 June 2008 31 October 2008	30 June 2009	The draft risk management policy statement and strategy has been amended to take account of the development of the risk based approach to the corporate and Service Plans and the related Strategic Risk and Operational Risk Registers. The draft has been sent to the Risk Management Group for comment and once its terms are agreed will go to the SMT and then either the March or June Audit committee for approval.



External Audit Report Follow up - Summary

External Audit Reports With Recommendations Due From October to December 2008

Audit	Points to be actioned by 31 December 2008	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
<u>2008/2009</u>				
Grant Thornton 2007/2008 Audit - Interim Management Report	8	6	2	B7&13
Grant Thornton Progress Implementation Review - Internal Audit	2	0	2	C1&3
Grant Thornton Review of IT Systems & Applications	4	4	0	
<b>Total</b>	<b>14</b>	<b>10</b>	<b>4</b>	

This page is intentionally left blank

Points Outstanding From Previous Audit Committee

Audit	Points Still Outstanding From Previous Audit Committees	Points to be actioned by 31 December 2008	Points actioned by implementation date	Behind Schedule/ Insufficient evidence received	
Audit Scotland Improving Customer Services through Better Customer Contact	1	1	0	1	A1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	

This page is intentionally left blank

## APPENDIX 4

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
<b>A - AUDIT SCOTLAND IMPROVING CUSTOMER SERVICES THROUGH BETTER CUSTOMER CONTACT</b>							
1	MEDIUM	Councils needs to commit to actively pursue a programme to manage customer service improvements as this is central to effective service delivery. Councils should improve how they research customers' opinion on service and make better use of feedback. Councils should improve performance measurement.	N/A	Head of Democratic Services and Governance	31 December 2005 31 August 2007, 31 March 2008, 30 June 2008, 31 October 2008	31 March 2009	The Council is about to conclude phase 1 of the customer service centre roll out and the process for change customer management theme has undertaken a customer survey and will be reviewing the strategy agreed in November 2006 in light of current developments. Customer Management will be taken forward to detailed design as part of the next phase of Process for Change.
<b>B - GRANT THORNTON 2007-08 AUDIT - INTERIM MANAGEMENT REPORT</b>							
7	HIGH	Financial Management and Budgetary Control The Council has not yet set out how it will measure and report efficiency savings generated and performance systems are not yet in place to measure outputs and outcomes to support the measurement of efficiency.	The Council should put in place mechanisms to record efficiency savings generated from the plan. Progress against the efficiency savings target should be reported on a regular basis to management and members. Management Response This will be addressed	Head of Strategic Finance	31 December 2008	31 August 2009	Draft recording and reporting arrangements have been prepared. However, the Improvement Plan has a commitment to revise the Efficiency Plan by May 2009. This will include revising the recording and reporting arrangements and incorporating the efficiency plan in Pyramid. This first report will be at 30 June with a report to Members in

## APPENDIX 4

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
							August.
13	MEDIUM	Audit Committee Arrangements There is no annual declaration of interests for the 2 non-Councillor members of the Audit Committee	The non-Councillor members of the Audit Committee should make a similar annual declaration of interest as that required for Councillor members. Management Response Head of Democratic Services and Governance and Audit Committee Chair and Vice Chair - This requires the voluntary agreement of both the Audit Chairman and Vice Chairman. The Head of Democratic Services and Governance will discuss this matter with both parties.	Head of Democratic Services and Governance	31 December 2008	01 April 2009	The independent members have agreed to make a voluntary declaration and new regime will be in place from 1st April 2009. The voluntary commitment will be reflected in updated arrangements for the appointment of independent persons in the future.
<b>C - GRANT THORNTON PROGRESS IMPLEMENTATION REVIEW - INTERNAL AUDIT</b>							
1	MEDIUM	Scope of Internal Audit The Council's procedures for the prevention of fraud and corruption are detailed within the Financial and Security Regulations and include guidance for staff reporting suspected fraud. The guidance does not specifically detail the	The Council Should update it's 'guidance for staff reporting suspected fraud' to include specific reference to the role of Internal Audit. Management Response The Council Constitution will be amended to recognise the role of Internal Audit in the	Head of Democratic Services and Governance	30 April 2008	June 2009	The Council has now agreed a new arrangement for planning and it is intended to submit a revised constitution to the Council in June 2009

## APPENDIX 4

ACTION PLAN NUMBER	GRADE	WEAKNESSES IDENTIFIED	AGREED ACTION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION	REVISED DATE	COMMENT/EXPLANATION
		role of Internal Audit in fraud investigations.	investigation of suspected frauds.				
3	MEDIUM	Independence The Council does not operate with a single Head of Internal Audit position. This does not comply with the Code which recommends the appointment of a 'Head of Internal Audit'.	The Council should formally designate a Head of Internal Audit post. This would raise the profile of Internal Audit and would help clarify reporting lines and responsibilities within the department. Management Response This situation will be reviewed at the end of the Internal Audit Partnership.	Head of Strategic Finance	30 April 2008	30 April 2009	The Internal Audit Partnership ended on 31 March 2008, and the Council has now extended the agreement. The creation of a 'Head of Internal Audit' position remains under review.

This page is intentionally left blank



---

**PROGRESS REPORT ON INTERNAL AUDIT PLAN 2008 - 2009**

---

**1. SUMMARY**

An interim progress report has been prepared covering the audit work performed by Internal Audit up to 30<sup>th</sup> of January 2009. 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 2008 - 2009.

**3. BACKGROUND**

3.1 The progress report contained in Appendix 1 lists the audits scheduled for the financial year 2008 –2009, and are ordered by section and level of completion.

3.2 As at 30<sup>th</sup> of January 2009, of 19 core financial systems audits set out in the audit plan presented on 27 of March 2008, 12 have been completed. The remaining 7 audits have been started. Therefore there are no audits remaining to be started. Action has been taken to assist the delivery of the audit plan through assigning a total of 4 audits within the annual audit plan to KPMG UK LLP. Meetings were held last month with KPMG where the audit scope for 2 core financial audits was discussed and agreed and these are indicated in Appendix 1.

3.3 Of 15 non-financial audit areas set out in the audit plan of 27 March 2008, 8 have been completed as at the 30<sup>th</sup> of January 2009. Of the remaining 7 audits, 6 are currently ongoing and one remains to be started. KPMG UK LLP has been assigned 2 non financial audits from within the annual plan. Fifteen direct audit days have been assigned to each. An adjustment has therefore been made to the direct days originally assigned to both audits and this is reflected in Appendix 1.

3.4 A total of 100 direct audit days were set aside in the annual audit plan for Special Investigations / Contingency work. As at 30<sup>th</sup> of January 2009, one day has been expended. A total of 105 days were set aside in the audit plan for Other Areas, to date 62 days have been expended.

**4. SUMMARY OF AUDIT ACTIVITIES FOR 2008 - 2009**

4.1 It can be reported that Internal Audit continues to make progress with the Annual Audit Plan. Appendix 1 shows that a total of 616 direct audit days

have been expended on planned audits as at 30<sup>th</sup> of January 2009. At the same period in March 2008 a total of 757 direct audit days had been expended but 3 audits remained to be started.

- 4.2 As noted above current progress with the Internal Audit plan remains behind the number of days expended in 2007/08 however corrective action is being taken. It can be reported that all audits bar one are either complete or ongoing.
- 4.3 The engagement of a contract auditor in October through to December 2008 provided additional assistance to progress the audit plan. At the beginning of January 2009 another contract auditor was secured providing additional support up to the end of March 2009.
- 4.4 In addition, as reported to the last Audit Committee interviews for the post of Trainee Accountant were held in December 2008. A person has now been appointed as a Trainee Accountant and commenced work with Internal Audit in January 2009.

## 5. CONCLUSION

Progress is being made on audits planned for 2008 – 2009.

## 6. IMPLICATIONS

- 6.1 Policy: Update on audit plan for 2008 – 09.
- 6.2 Financial: The audit plan is based on budgeted provision.
- 6.3 Personnel: None
- 6.4 Legal: None
- 6.5 Equal Opportunities: None

For further information please contact Ian Nisbet, Internal Audit Manager (01546 604216)12febfinalreportfeb12

## APPENDIX 1

## Assessment of audit days: 2008-2009 strategic plan

AUDIT WORK SCHEDULE	Last audited	Risk ranking	Original Estimated Audit Days 2008-09	Revised Estimated Audit Days 2008-09	Actual Audit Days 2008-09	Balance
<b>Core financial systems</b>						
<b>Complete</b>						
Creditor Payments	2007	2	15	15	9	6
Tendering Procedures	2007	1	15	15	18	-3
Stocktaking/ Work in Progress	2007	2	25	25	18	7
Treasury Management	2007	2	15	15	14	1
Government & European Grants	2007	1	35	35	29	6
Car Allowances	2007	2	15	15	18	-3
Purchasing	2007	2	15	15	13	2
Cash Income and Banking	2007	2	40	40	30	10
Capital Accounting	2007	1	15	15	11	4
Council Tax and Non-Domestic Rates	2007	2	40	40	40	0
Debtor Accounts	2007	2	15	15	14	2
Payments to Voluntary Bodies (Following the Public Pound)	2007	2	15	15	16	-1
<b>Started</b>						
General Ledger Operations	2007	2	15	15	8	7
Asset Management	2007	1	40	40	4	36
Budgetary preparation and control - Assigned to KPMG LLP	2007	1	15	15	2	13
Capital Contracts - Assigned to KPMG LLP	2007	1	15	15	2	13
Contract Hire and Operating Leases	2007	2	15	15	1	14
Unified Benefits System	2007	2	40	40	20	20
Payroll	2007	2	40	40	27	13
<b>Section Total</b>			<b>440</b>	<b>440</b>	<b>293</b>	<b>147</b>
<b>Non-financial Audits</b>						
<b>Complete</b>						
Performance Indicators/Single Outcome Agreement	2007	1	52	52	36	16
Corporate Governance ICS	2007	1	30	30	28	2
Health & Safety	-	1	30	30	30	0
Procurement for Fleet	2005	1	30	30	29	1
Procurement Processes for Catering	-	2	30	30	34	-4
Recruitment and Retention of Staff	2006	1	20	20	31	-11
Stress Management Exercise	-	1	30	30	29	1
New Legislation	2007	1	30	30	26	4
<b>Started</b>						
Computer Audit - Assigned to KPMG LLP	2007	2	28	15	2	13
Pre-School Education Provision	-	1	30	30	1	29
SW Commissioning & Contracting	-	2	30	30	2	29
Parking Income	2007	1	30	30	12	18
Department Risk Plan Testing - Assigned to KPMG LLP	-	1	30	15	1	14
Department Business Continuity Plan Testing	2007	1	30	30	1	29
<b>Not Started</b>						
Policy & Strategy - Best Value	2006	1	30	30	0	30
<b>Section Total</b>			<b>460</b>	<b>432</b>	<b>260</b>	<b>172</b>
<b>Actual Direct Audit Time</b>			<b>900</b>	<b>872</b>	<b>553</b>	<b>319</b>
<b>Special investigations contingency</b>						
Council Wide			100	100		99
Chief Executive's Unit					1	
Community Services						
Corporate Services						
Development Services						
Operational Services						
<b>Section Total</b>			<b>100</b>	<b>100</b>	<b>1</b>	<b>99</b>
<b>Other Areas</b>						
Follow-up External & Internal Audit Management Letter Points			85	85	52	33
Risk Assessment, Strategic Plan, Annual Plans			20	20	10	10
<b>Section Total</b>			<b>105</b>	<b>105</b>	<b>62</b>	<b>43</b>
<b>TOTAL</b>			<b>1105</b>	<b>1077</b>	<b>616</b>	<b>461</b>

This page is intentionally left blank

---

**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
6 MARCH 2009**

---

**ANNUAL AUDIT PLAN 2009 - 2010**

---

**1. SUMMARY**

The audit plan for 2009 - 2010 details year 2 of the 3 year Strategic Audit Plan approved by the Audit Committee on the 27<sup>th</sup> of March 2008 and ensures that Internal Audit resources are effectively planned and controlled. The plan outlines in detail the areas that will be audited in 2009 – 2010. This complies with a good practice CIPFA guideline to provide additional information to management.

**2. RECOMMENDATIONS**

2.1 The Annual Audit Plan for 2009 - 2010 is approved.

**3. DETAILS**

3.1 Attached is the proposed Annual Internal Audit Plan for 2009 - 2010, which has been presented to the Strategic Management Team (SMT). It provides detail as to the proposed time and audits for the coming financial year. The areas were agreed as part of the overall 3-year audit plan for the years 2008 – 2011.

3.2 This annual plan increases the awareness amongst departments of the audit objectives for 2009 – 2010, and it is hoped will aid departments with planning and preparation.

3.3 The annual audit plan has 2 audit categories. They are core and non financial audits. A table for both categories has been prepared listing each audit, the date last audited and the number of assigned audit days for 2009 - 2010.

3.4 The annual plan includes a chart showing the audits, their categories, and when in 2009 – 2010 they are likely to take place. The likely timing and objectives of the audits were discussed with Heads of Service and line managers. However, it should be noted that the audits could be subject to change in content and timing.

**4. CONCLUSIONS**

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

**5. IMPLICATIONS**

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

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

Ian Nisbet  
Internal Audit Manager 12 February 2009.  
12fedeporfef12



Argyll and Bute Council

Annual Audit Plan 2009 - 2010

12<sup>th</sup> February 2009

Draft for Audit Committee Approval





# INDEX

		Page
1	Foreword	1
2	Internal Audit Resource Days: 2009-10	1
	Table 1 Internal Audit resources 2009 - 2010	2
3	Assessments of Core Financial Audit Days 2009 - 2010	3
	Table 2 Assessment of Audit Days 2009 – 2010	4
4	Assessment of Non Financial Audit days 2009 - 2010	5
	Table 2 Assessment of Audit Days 2009 – 2010	6
5	Assessment of Contingency Audit Days 2009 - 2010	7
6	Annual Audit Plan 2009 - 2010	8



## 1. Foreword

The audit plan for 2009 - 2010 details year 2 of the 3 year strategic audit plan approved by the Audit Committee on the 27<sup>th</sup> of March 2008 and ensures that Internal Audit resources are effectively planned and controlled. It should be seen as a flexible management tool, which provides the following:

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

The 2009 – 2010 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

The annual audit plan has 2 categories, core financial and non financial audits. Within the attached document is a chart showing when in 2009 – 2010 audits are planned to take place. The timing of audits was discussed with Heads of Service and line managers. However, the audits could be subject to change and timing should only be viewed as an indicator.

## 2. Internal Audit Resource Days 2009 – 2010

There are 3 elements to Table 1:

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

After deductions for annual leave and other provisions a total of 1,377 working days are available for direct and non-direct audit work.

The non-direct audit day allocation covers tasks such as internal audit management, preparing committee papers, training to ensure that staff are supported in their work and general administration issues. The total day's allocated to non-direct audit for 2009 - 2010 is 238.

Direct audit days are days allocated to both core and non-financial audits. The audit days assigned includes time for Planning, Field Work, Report Writing and Management Review. In addition a number of days have been included for Contingency. The total number of days allocated to direct audits for 2009 - 2010 is 1,139, which represents 83% of total working days available.

**Table 1: Internal Audit Resources 2009 – 2010**

	<b>Audit Manager</b>	<b>Audit Manager</b>	<b>Trainee Accountant</b>	<b>Trainee Accountant</b>	<b>Senior Audit Assistant</b>	<b>Computer Audit</b>	<b>Contract Auditors</b>	<b>Total</b>
Number of Days in full year	261	261	261	261	261	28	261	<b>1, 594</b>
Less: Public Holidays	8	8	8	8	8	-	-	40
Annual Leave	32	32	32	24	32	-	-	152
Sickness Provision	5	5	5	5	5	-	-	25
Working Days Available	216	216	216	224	216	28	261	<b>1,377</b>
<b>Non-Direct Audit Work</b>								
IA Management	30	15	-	-	-	-	-	45
Planning and Reporting	25	15	-	-	-	-	-	40
Training, Development & Internal Audit Meetings	10	10	35	38	10	-	-	103
Advisory	10	10	-	-	-	-	-	20
<b>Total for Non-Direct Audit Support Work</b>	85	60	41	44	16	-	-	<b>246</b>
<b>Time Available for Direct Audit Work</b>	131	156	175	180	200	28	261	<b>1,131</b>

### **3. Assessment of Core Financial Audit Days 2009 - 2010**

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.

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.

Internal Audit in agreement with Grant Thornton UK LLP in 2008 – 2009 adopted 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 is helping the section further develop its quality standards, compliance with the Code and enabling departments to gain from participating in the audit methodology. The introduction and use of CIPFA SBAs complements a goal set out in the 'Corporate Plan 2007 – 2011 and beyond' of introducing self assessment tools to strengthen the drive for continuous improvement.

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

**Table 2 – Assessment of Audit Days: 2009 - 2010**

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

#### **4. Assessment of Non Financial Audit Days: 2009 – 2010**

The Code requires that Internal Audit not only audit financial systems controls but also other systems of management control used to ensure the Council's objectives are being properly managed. 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.

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. CIPFA has developed a number of systems based audit (SBA) control matrices for non financial control areas, and these will continue to be adopted in 2009 - 2010.

Discussions have taken place with departmental Heads of Service in order to afford them the opportunity to identify any specific changes to the planned audit areas, new developments and offer a proposed time frame for audits. The non financial audits set out below in Table 3 are those detailed for year 2 of the 3 year strategic audit plan and have no changes.

**Table 3 – Assessment of Audit Days: 2009 - 2010**

<b>Non Financial Audit Areas</b>	<b>Risk ranking</b>	<b>Last audited</b>	<b>2009-10</b>
<b>CHIEF EXECUTIVES</b>			
Single Outcome Agreement Review	1	-	30
<b>CORPORATE SERVICES</b>			
Information Computer Technology (ICT)	2	2008	30
Business Continuity Management	1	2008	30
<b>COMMUNITY SERVICES</b>			
Adult Services Assessment & Care Management Processes	1	-	30
Foster Care Service	2	-	30
<b>DEVELOPMENT SERVICES</b>			
Partnership Project Funding	2	2007	30
<b>OPERATIONAL SERVICES</b>			
Payroll processes for catering	1	-	30
Stock control – systems leisure	2	-	30
<b>ALL DEPARTMENTS</b>			
Department Risk Plan Testing	1	2008	30
Review of HR Activities	1	2008	20
Computer Audit	2	2008	28
Department Business Continuity Plan Testing	1	2008	30
New Legislation	1	2008	30
Corporate Governance ICS	1	2008	30
Statutory Performance Indicators / Single Agreement Outcomes	1	2008	86
<b>Subtotal non-financial</b>			<b>494</b>



## 5. Assessment of Contingency Audit Days: 2009 - 2010

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

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

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

<b><i>Contingency days</i></b>	<b>2009-10</b>
Special investigations contingency	100
Follow-up external & internal audit management letter points	77
Risk assessment, strategic plan, annual plans	20
<b>Sub Total</b>	<b>197</b>

## 6. ANNUAL AUDIT PLAN 2009 – 2010

Core Financial Systems				Risk Ranking	Last Audited	Audit Days 2009-10	April	May	June	July	August	September	October	November	December	January	February	March	
Budgetary preparation and control	1	2008	40															▶▶	
Capital accounting	1	2008	15										▶▶						
Capital contracts	1	2008	15													▶▶			
Cash income and banking	2	2008	15									▶▶							
Car allowances	2	2008	40											▶▶					
Contract hire and operating leases	2	2008	40						▶▶										
Council tax & non-domestic rates	2	2008	15					▶▶											
Creditor payments	2	2008	40								▶▶								
Debtor accounts	2	2008	15														▶▶		
Purchasing	2	2008	15														▶▶		
Unified Benefits System	2	2008	15											▶▶					
Asset Management	1	2008	15														▶▶		
General ledger operations	2	2008	15														▶▶		
Government & European Grants	1	2008	35						▶▶										
Payroll	2	2008	15									▶▶							
Treasury Management	2	2008	15										▶▶						
Tendering Procedures	1	2008	15														▶▶		
Payments to Voluntary Bodies (Public Pound)	2	2008	40															▶▶	
Stocktaking	2	2008	25															▶▶	
<b>Subtotal Core Financial Systems</b>			<b>440</b>																
Non-Financial Audits				Risk Ranking	Last Audited	Audit Days 2009-10	April	May	June	July	August	September	October	November	December	January	February	March	
Chief Executives Unit – Single Outcome Agreement Review	1	-	30											▶▶					
Community Services – Foster Care Services	2	-	30														▶▶		
Community Services – Adult Services Assessment and Care Management Processes	1	-	30														▶▶		
Corporate Services - ICT - Applications	2	2008	28										▶▶						
Corporate Services - Business Continuity Planning	1	-	30											▶▶					
Development Services – Partnership Project Funding	3	2007	30								▶▶								
Operational Services – Payroll Processes for Catering	1	-	30																
Operational Services – Stock Control Systems Leisure	2	-	30											▶▶					
All Depts – Risk Plan Testing	1	2008	30												▶▶				
All Depts – Review of HR Activities	1	2008	20								▶▶								
All Depts – Computer Audit	2	2008	30									▶▶							
All Depts – Business Continuity Plan Testing	1	2008	30															▶▶	
All Depts – New Legislation	1	2008	30															▶▶	
Corporate Governance ICS	1	2008	30															▶▶	
Statutory Performance Indicators/Single Agreement Outcomes	1	2008	86																
<b>Sub Total Non-Financial</b>			<b>494</b>																
Contingency Days				Risk Ranking	Last Audited	Audit Days 2009-10													
Special investigations, Follow-up, Risk Assessment & Audit Planning	n/a	n/a	197																
<b>Sub Total Contingency Days</b>			<b>197</b>																
<b>Total</b>			<b>1,131</b>																

---

**ARGYLL AND BUTE COUNCIL**  
**CHIEF EXECUTIVE'S UNIT**

---

**AUDIT COMMITTEE**  
**6 MARCH 2009**

---

## **SUMMARY OF QUARTERLY PERFORMANCE REPORTS**

---

### **1 SUMMARY**

This paper provides a summary of the Service quarterly reports for the period October to December 2008, consisting of the exceptional performance sections only.

In line with the Council's new Planning and Performance Management Framework (PPMF), future reports will be via performance scorecards. Training will be available in performance management and the use of performance scorecards.

### **2 RECOMMENDATIONS**

It is recommended that the Audit Committee notes the Service performance in the report.

### **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](mailto:david.clements@argyll-bute.gov.uk)

## **Argyll and Bute Council**

### **Extracts from Quarterly Performance Reports Oct-Dec 2008**

This paper draws together the exception reports from the quarterly Service performance reports for the third quarter 2008/09. 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 exception reports

##### Strategic HR

- ✗ Attendance monitoring reports delayed due to new, unclear external requirements and definitions
- ✗ Delays with e-learning and HR Strategy due to vacant post

##### Policy and Strategy

- ✗ Proactive work is still suffering due to pressures on the small team. This period effort has been directed to the Corporate Plan, Service Plans and the Single Outcome Agreement.
- ✗ The Third Sector Steering Group (TSSG) has not produced acceptable proposals for Fairer Scotland Funding.

Strategic Finance – no exception reports

#### **Community Services**

##### Adult Social Work

- ✗ Unallocated cases reported as (a) Occupational Therapy = 103 (ii) other adult services = 38
- ✗ Number of people waiting longer than 6 weeks for assessment = 99 (target met for 55.4% of clients)
- ✗ 55% of council residential care home staff (people aged 65+) hold appropriate qualifications for the level of post held

##### Children and Families

- ✗ 55% of council residential children's home care staff hold appropriate qualifications for the level of post held

Community Regeneration - no exception reports

##### Planning and Performance

- ✓ Increases in Library use – young people, housebound users and community groups
- ✗ 10%-20% non-attendance at training courses as staff are 'unable to be released' or 'due to staff shortages'

Education – no exception reports

#### **Corporate Services**

##### ICT and Financial Services

- ✓ The percentage of Council Tax payments made by Direct Debit has risen to over 75% against a target of 60%

- × The number of new Benefit claims outstanding longer than 50 days stands at over 33% against a target of 9% - contributing to the overall poor and declining performance of Benefits Administration
- × New benefit claims and changes to circumstances have generally been slower than planned (new claims target=28 days actual=41 days)
- × Audit of sample cases found to have been calculated correctly = 76%

#### Legal and Protective Services

- × The percentage of 'approved premises' inspected was 82% against a target of 100%.
- × No performance measures have been developed for animal health and welfare

#### Democratic Services and Governance

- × A reported error rate of '80% correct' in Lochgilphead Area Office (Argyll and Bute overall cash collections £1.18m)

### **Development Services**

#### Transportation and Infrastructure - no exception reports

#### Planning

- ✓ There has been continued overall improvement in the response times for building warrants, planning applications and completion certificates
- × Reductions in income are being experienced due to reduced applications

### **Operational Services**

#### Roads and Amenity Services

- ✓ The report from this Service is a Pyramid printout. At the last report, the Head of Service had committed to re-vitalise the Pyramid data - this has been completed.
- × Roads maintenance has been less than half the planned level...the Scottish Road Maintenance Condition Survey identified 16% of roads in need of maintenance against a target of 10%

#### Facility Services

- The Performance Management team has been developing scorecards with this Service over the past few months. The information in Pyramid will be more focused and interpretable than this 24 page printed report.

Verbatim extracts from the submitted report...

- × Education budget has been reduced to reflect NPDO new schools coming on stream, however the remaining properties which have not either been demolished or sold still require Statutory Maintenance servicing to ensure compliance with the Councils Insurers, **this was not budgeted for and has put pressure on overall Education budget.**
- × Education budget has been substantially reduced to reflect NPDO new schools coming on stream, this has resulted in a negative budget for Planned Maintenance, Community Services have instructed a moratorium on spend for any repair not deemed to have a high risk under Health and Safety. This level of funding could result in either;
  1. **Year end budget overspend or,**
  2. **Potential school/building closure.**

**It will also put pressure on head teachers and Property staff to continuously review the risks and over compensate by treating repairs as Emergency Maintenance.**

This page is intentionally left blank

---

**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 Registers**

As part of the development of the risk based approach to the Corporate Plan there has been a review of the Strategic Risk Register by each of the Services. The purpose of the review was to ensure that there is a better alignment of the Corporate Objectives and the Risks which might impact on the ability of the Council to deliver these objectives.

The current version of the Strategic Risk Register was included as part of the information available to members for consideration as part of the budget process.

The Strategic Risk Register can now be viewed in the Development area within Pyramid and the links to the Operational Risk Register for Democratic Services and Governance have been put into Pyramid as a pilot project. This will allow a review off the links and the information to be included in Pyramid to be undertaken.

The Services are now undergoing the process of developing Operational Risk Registers which take account of the risks identified in the Service Plans, the risks which have been identified as 'All Services' risks or identified as being specific to them in the Strategic Risk Register. The Operational Risk Registers are due to be completed by the end of the first quarter of 2009/10.

The Operational Risk Registers will then be put into Pyramid.

3.2 **Business Continuity**

The exercise which will test the Business Continuity Incident Management Plan, the Emergency Planning Generic Plan and some of the Departmental Recovery Plans, has been arranged for Wednesday 11 March 2008. This will take place in Kilmory and will be hosted by Glen Abbot.

A review of the Departmental Recovery Plans will be carried out before the end of March 2009.

Iain Jackson  
Governance and Risk Manager  
01546 604188



# **Argyll and Bute Council**

**Audit Plan 2008-09**

**January 2009**

# **ARGYLL AND BUTE COUNCIL AUDIT PLAN 2008 - 2009**

## **CONTENTS**

	<b>PAGE</b>
1 Introduction	1
2 Financial Statements	2
3 Governance	6
4 Performance	9
5 Grant claims	12
6 audit team and fees	14

**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 third 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 2009. 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 2008-09 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 B 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><b><i>2008 SORP and International Financial Reporting Standards</i></b></p> <p>Local government bodies will be required to prepare their accounts on the basis of IFRS from 2010-11, with shadow IFRS-based accounts required for 2009-10.</p> <p>HM Treasury will require local authorities to restate PFI or PPP schemes under IFRS for the 2008-09 Whole of Government Accounts Return.</p> <p>The transition to IFRS is complex, and will detailed project planning to ensure the Council is able to fully implement the standard in line with the planned timetable.</p>	<p>We will discuss the implications of the changes required under IFRS at an early stage in the audit process and review the adequacy of the Council's IFRS project plan as part of our 2008-09 audit.</p> <p>A joint Council/Grant Thornton workshop covering the 2008-09 SORP and accounts closedown and audit arrangements will take place on 5 February 2009.</p> <p>The Council has already started work on reviewing its PPP/PFI schemes and we plan to review this work for reliance.</p>
<p><b><i>Specific Accounting Issues</i></b></p> <p>The following specific accounting issues were identified at the conclusion of the 2007-08 audit:</p> <ul style="list-style-type: none"> <li>▪ compliance with the 2007 SORP in reporting the results of third party trading in the Income and Expenditure Account</li> <li>▪ compliance with the 2007 SORP in charging depreciation on surplus assets</li> </ul>	<p>We will meet with the Finance Team early in the audit year to identify the Council's proposals for addressing these issues in the 2008-09 financial statements.</p>

Key risk area	Our response
<p><b><i>Reserves &amp; Balances</i></b></p> <p>At 31 March 2008, the Council held unearmarked general fund reserves of £4.9 million, which represents 2.3% of net operating expenditure for 2007-08.</p> <p>For 2008-09, the target level of unearmarked reserves will be reduced to 1.5% of net operating expenditure. It is unlikely that this revised target will be met due to cost pressures on the Council during the year.</p> <p>In November 2008, CIPFA published LAAP Bulletin 77, Local Authority Reserves and Balances which gives guidance on maintaining adequate reserves.</p>	<p>We will follow up the Council's progress in implementing agreed recommendations to improve financial planning and budgetary control arrangements.</p>
<p><b><i>Specific internal control issues</i></b></p> <p>The following weaknesses in internal control were identified at the conclusion of the 2007-08 audit:</p> <ul style="list-style-type: none"> <li>▪ ensuring bank reconciliations are prepared and reviewed in a timely manner</li> <li>▪ identifying and closing down any dormant bank accounts</li> <li>▪ improving management of outstanding debtor accounts</li> <li>▪ improving documentation of loan and investment decisions</li> </ul>	<p>We will follow up the progress of agreed audit action points in our 2008-09 audit and report on the progress of implementation.</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**

*Argyll and Bute Council - 2008-09 Audit Plan  
Financial Statements*

<b>Audit Output – Financial Statements</b>	<b>Fieldwork</b>	<b>Target Delivery Date (Final Report)</b>
Interim Report	February – April 2009	30 June 2009
Accounts Report (ISA 260)	July – September 2009	early September 2009

### 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 should have 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 reviewing the Council's overall arrangements in relation to each of the above areas;
  - ii reviewing 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><b><i>Political Governance and Scrutiny</i></b></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>We will follow up the Council's progress in implementing the agreed recommendations from our 2007-08 audit of the Council's audit committee arrangements.</p>
<p><b><i>National Fraud Initiative</i></b></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><b><i>Contract Management</i></b></p> <p>The Council spends significant sums annually on its capital programme and needs effective contract management arrangements.</p> <p>In 2007-08, we carried out a review of the main aspects of contract management and found weaknesses in the Council's contract management arrangements, particularly in relation to the management of the Argyll Air Services Project.</p>	<p>We will follow up the Council's progress in implementing the agreed recommendations from our 2007-08 report on contract management.</p>

Key risk area	Our response
<p><b>Internal Audit</b></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>The Council has not yet finalised plans for the appointment of a Head of Internal Audit.</p>	<p>We will follow up the Council's progress in implementing the agreed recommendations from our 2006-07 report on Internal Audit.</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)
Interim Report	March - April 2009	30 June 2009
Fraud Returns to Audit Scotland	Ongoing	30 May 2009

## 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 undertaking a follow up review of 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**

<b>Key risk area</b>	<b>Our response</b>
<p><b><i>Best Value</i></b></p> <p>The Accounts Commission published its follow up report on the Best Value assessment of the Council in December 2008. The key finding from this review was that the Council should focus on turning strategies into action to embed best value principles throughout the organisation.</p>	<p>We will assess the Council's progress in achieving its Improvement Plan as part of our follow-up of progress in implementing the key recommendations emerging from our 2007-08 best value audit.</p>
<p><b><i>Statutory Performance Indicators</i></b></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>
<p><b><i>Efficient Government</i></b></p> <p>The Council continues to face significant challenges in refocusing its resources on service delivery. Good progress has been made in a number of areas, however, significant effort will be required to deliver the level of efficiencies required while continuing to improve performance.</p>	<p>We will review the Council's arrangements for identifying, measuring and reporting efficiency savings under the efficient government agenda.</p>

### Audit Timetable and Planned Audit Outputs

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)
Best Value Progress Report	September 2009	30 October 2009
Statutory Performance Indicators – Audit Scotland Return	August 2009	30 August 2009

## 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 education maintenance allowances; and
  - iii 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 Executive. 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 II 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	31 May 2009	30 November 2009
Education Maintenance Allowances	30 June 2009	31 July 2009
Non-domestic Rates	30 September 2009	February 2010

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

<b>Role</b>	<b>Experience</b>
<b>Sarah Howard</b> <b>Engagement Partner</b>  Email: <a href="mailto:sarah.howard@gtuk.com">sarah.howard@gtuk.com</a> Tel: 07831 564148	Overall responsibility for delivery of the audit.
<b>Gary Devlin</b> <b>Client Service Manager</b>  Email: <a href="mailto:gary.devlin@gtuk.com">gary.devlin@gtuk.com</a> Tel: 0131 659 8554	Responsible for day to day management of the audit.
<b>Stephen Vallely</b> <b>Assistant Manager</b>  Email: <a href="mailto:stephen.vallely@gtuk.com">stephen.vallely@gtuk.com</a> Tel: 0131 659 8572	Responsible for managing the onsite fieldwork.
<b>Paul Spinks</b> <b>Senior Technical Manager</b>  Email: <a href="mailto:paul.spinks@gtuk.com">paul.spinks@gtuk.com</a> Tel: 07798 831962	Responsible for providing specialist technical input to the financial statements audit, including advising on the implementation of the 2008 SORP and IFRS.
<b>Raul Rodriguez</b> <b>Technology and Risk Services</b>  Email: <a href="mailto:raul.rodriguez@gtuk.com">raul.rodriguez@gtuk.com</a> Tel: 0131 659 8534	Responsible for managing the audit of IT systems and applications

- 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 ([richard.tremeer@gtuk.com](mailto:richard.tremeer@gtuk.com), 020 7728 3440).



**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 For our 2008-09 audit, we are proposing a modest increase of 3% on the 2007-08 fee level. The fee includes:
- i all of the work and outputs described in this plan, including additional work associated with the audit of IFRS compliance for whole of government accounts;
  - 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.
- 6.6 The table below shows the proposed audit fee, plus Audit Scotland's fixed charge for the year ending 31 March 2009. Audit Scotland has also indicated that it will pay a rebate to charge payers in 2008-09, following a decision to reduce its level of reserves. The rebate for Argyll and Bute Council has been set at £15,800 resulting in an overall reduction in the audit fee of £5,100 (1.7%) from 2007-08 levels as reflected in the table below:

**Exhibit 10: Proposed Fee**

Area	2008-09	2007-08	% Change
Proposed Grant Thornton fee	210,100	204,000	+3%
Audit Scotland fixed charge	93,800	89,200	+5.2%
Audit Scotland rebate	(15,800)	-	-
<b>Total</b>	<b>288,100</b>	<b>293,200</b>	<b>-1.7%</b>

*Audit fees are inclusive of VAT and expenses.*

- 6.7 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.
- 6.8 Where we are required to undertake additional work not outlined in this plan, 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

Audit Area	Target Delivery Date (Final Report)
<b>Financial Statements Audit</b>  Interim Report  Accounts Report (ISA 260)	30 June 2009  early September 2009
<b>Governance Audit</b>  Interim Report	30 June 2009
<b>Performance Audit</b>  Best Value – follow up review  Statutory Performance Indicators – Audit Scotland Return	30 October 2009  30 August 2008
<b>Grant Claims Audit</b>  Housing and Council Tax Benefits  Education Maintenance Allowances  Non-domestic Rates	30 November 2009  31 July 2009  8 February 2010
<b>Overall Audit</b>  Annual report to Members and the Accounts Commission	30 September 2009

### Status of our Reports to the Council

- 6.9 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 which has undergone a period of significant change in recent years. 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 2008-09, we will plan to place reliance on the work of internal audit in the following areas:

- IT audit, including reviews of data protection and information security
- Political governance
- Corporate procurement
- Budget monitoring
- Grant claim reviews
- National Fraud Initiative
- Statutory Performance Indicator
- Council tax
- Debtors
- Asset management
- Payroll
- Risk management.

---

**ARGYLL AND BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
6 March 2009**

---

**FINANCIAL STATEMENTS - 2008-09**

---

**1 INTRODUCTION**

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2009 and the preparation of the Council's Financial Statements for 2008-09.

**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 2009 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 12 May.
  - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 30 April.
  - Council Tax and NDR entries completed by 13 May
  - Review and adjustments to ledger and central department cost allocations completed by 15 May.
  - Preparation of unaudited single entity financial statements including report by Head of Strategic Finance by 12 June.
  - Unaudited single entity financial statements considered by a meeting of the Full Council on 25 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 2009.
- 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 2009 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2009.
- 3.5 This year there are a limited number of technical changes arising from the 2008 SORP. Planning and preparation for the full implementation of International Financial Reporting Standards (IFRS) into the public sector is already underway. Work in the area of accounting for PFI/PPP projects and leases will run alongside the preparation and audit of the 2008/09 financial statements. Restated opening balance sheets at 1 April 2009, on an IFRS basis, will have to be prepared and submitted by the end of 2009.
- 3.5 Copies of both sets of instructions / timetables are available from Head of Strategic Finance if required.

Bruce West  
Head of Strategic Finance  
25 February 2009