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Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
Executive Director: Douglas Hendry

9 March 2012

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD** on **FRIDAY, 16 MARCH 2012** at **11:15 AM**, which you are requested to attend.

Douglas Hendry
Executive Director - Customer Services

BUSINESS

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST (IF ANY)**

3. **MINUTES**
    Audit Committee 9 December 2011 (Pages 1 - 6)

4. **REVIEW OF DEBTORS ACCOUNTS: DIRECT PAYMENTS**
    Report by Head of Adult Care (Pages 7 - 8)

5. **PLANNING AND PERFORMANCE MANAGEMENT QUARTERLY UPDATE**
    Report by Head of Improvement and Strategic HR (Pages 9 - 10)

6. **AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2011 - 2012**
    Report by Chief Internal Auditor (Pages 11 - 28)

7. **INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE**
    Report by Chief Internal Auditor (Pages 29 - 80)

8. **INTERNAL AUDIT PLAN 2011 - 2012**
    Report by Chief Internal Auditor (Pages 81 - 84)

9. **EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2011 - 2012**
    Report by Chief Internal Auditor (Pages 85 - 92)

AUDIT COMMITTEE

Martin Caldwell	Councillor Gordon Chalmers
Councillor George Freeman	Councillor Daniel Kelly
Councillor David Kinniburgh	Councillor James Robb
Ian M M Ross	

Contact: Fiona McCallum   Tel. No. 01546 604406

Agenda Item 3

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD
on FRIDAY, 9 DECEMBER 2011**

Present:	Mr Ian M M Ross (Chair)

	Mr Martin Caldwell	Councillor James Robb
	Councillor David Kinniburgh	

Attending: Charles Reppke, Head of Governance and Law
Bruce West, Head of Strategic Finance
Sandy Mactaggart, Executive Director – Development and
Infrastructure Services
Jane Fowler, Head of Improvement and Strategic HR
Alan Morrison, Regulatory Services Manager
Ross McLaughlin, Development Manager
Ian Nisbet, Chief Internal Auditor
Kirsty Flanagan, Finance Manager

Prior to consideration of business it was noted that the meeting was inquorate. It was considered that this was maybe due to the inclement weather and it was agreed to proceed with the meeting and that any decisions made could be endorsed once other Members of the Committee joined the meeting. In the event that no further Members joined the meeting it was agreed that any decisions made could be endorsed at the next meeting of the Audit Committee.

The Chair ruled, and the Committee agreed, to vary the order of business to allow Officers to leave the meeting early and attend to other business.

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Gordon Chalmers, George Freeman and Daniel Kelly.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

The Minutes of the Audit Committee meeting held on 16 September 2011 were noted.

4. ARGYLL AIR SERVICES

A report providing an update on progress with Argyll Air Services with regarding to the development of a sustainable Business Plan, associated Implementation Plan and the procurement of future PSO flights and airport management and operations was considered.

Decision

Noted the contents of the report and the progress made over the last 12 months in the management of Argyll Air Services.

(Reference: Report by Executive Director – Development and Infrastructure Services, submitted)

Councillor David Kinniburgh joined the meeting at 11.30 am during discussion of the foregoing item.

5. PERFORMANCE MANAGEMENT QUARTERLY UPDATE

A report updating the Committee on the progress being made on managing performance across the Council, related to the key elements of the Planning and Performance Management Framework was considered.

Decision

Noted the progress being made in relation to performance management and improvement across the Council.

(Reference: Report by Head of Improvement and Strategic HR, submitted)

Councillor James Robb joined the meeting at 11.40 am during discussion of the foregoing item.

6. IMPLEMENTATION OF THE REGULATORY SERVICES SERVICE REVIEW

A report providing an update on progress with the implementation of the service review for Regulatory Services was considered.

Decision

1. Noted the progress being made in implementing the service review within Regulatory Services and the commitment of management and staff to deliver change; and

2. Noted that a more detailed report will be prepared for the Audit Committee in June 2012.

(Reference: Report by Regulatory Services Manager dated November 2011, submitted)

7. EXTERNAL AUDITORS

A report updating the Committee on the change of external auditors was considered.

Decision

Noted that the appointment of Grant Thornton as the Council's external auditor has come to an end and that the Accounts Commission have appointed Audit Scotland as the Council's external auditor for the period to 2015-16.

(Reference: Report by Head of Strategic Finance dated 1 December 2011, submitted)

8. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2011 - 2012

An interim progress report covering the audit work performed by Internal Audit as at 11 November 2011 was considered.

Decision

Noted the progress made with the Annual Audit Plan for 2011 – 2012.

(Reference: Report by Chief Internal Auditor dated 11 November 2011, submitted)

9. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2011 - 2012

Internal Audit document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. A report detailing the results from a review performed by Internal Audit for recommendations due to be implemented by 31 October 2011 was considered.

Decision

Noted and approved the contents of the report and the updated information provided in amended Appendices 1 and 2 which were tabled at the meeting.

(Reference: Report by Chief Internal Auditor dated 8 November 2011, submitted and Amended Appendices 1 and 2, tabled)

10. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2011 - 2012

A report advising of recently published reports by Audit Scotland entitled "Scotland's public finances; addressing the challenges" and "Modernising the planning system" along with management responses to these was considered.

Decision

1. Noted the contents of the report and that these will be followed up by Internal Audit; and

2. Agreed that it would be beneficial if a weighting was applied to the information contained within the checklists appended to the Audit Scotland reports and noted that the Head of Strategic Finance would raise this with Audit Scotland.

(Reference: Report by Chief Internal Auditor dated 2 November 2011, submitted)

11. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2011 - 2012

A report detailing final reports, summaries and action plans (where applicable)

from recent audits was considered.

Decision

1. Noted the contents of the reports in respect of the following audits and that these will be followed up by Internal Audit:-

    (a)   Customer Services – Review of Payroll
    (b)   Development and Infrastructure Services – LEADER funding
    (c)   Community Services – Review of Debtors Accounts – Direct Payments
    (d)   Customer Services, Customer & Support Services – Review of Procurement
    (e)   Development and Infrastructure Services – Review of Fish Landing Dues and Other Harbour Income.

2. Noted the update provided by Head of Adult Care advising on what action is being taken to resolve the issues outlined in the Review of Debtors Accounts – Direct Payments report and agreed that the Head of Adult Care should attend the March Audit Committee to advise on progress if any of these issues remain outstanding at that time.

(Reference: Report by Chief Internal Auditor dated 15 November 2011, submitted)

12.   INTERNAL AUDIT - TERMS OF REFERENCE

Grant Thornton reviewed aspects of the Council's governance arrangements and issued an interim report dated 6 June 2011. They requested the updating of the Council Constitution, Terms of Reference for Internal Audit and the Internal Audit Manual, to reflect the recent appointment of a Chief Internal Auditor. A report presenting revised Terms of Reference for Internal Audit which reflects the change requested by Grant Thornton in respect of the appointment of a Chief Internal Auditor was considered.

Decision

1. Noted and approved the contents of the report;

2. Noted that the Internal Audit Manual has also been amended accordingly; and

3. Noted that the updating of the Council Constitution is undertaken by Customer Services – Governance and Law.

(Reference: Report by Chief Internal Auditor dated 15 November 2011, submitted)

13.   CORPORATE PERFORMANCE AUDITS

A report covering the work undertaken by Internal Audit in respect of Corporate Performance Audits was considered.

Decision

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

(Reference: Report by Chief Internal Auditor dated 15 November 2011, submitted)

14. NATIONAL FRAUD INITIATIVE (NFI) - NATIONAL EXERCISE 2010/11

A report providing the current position of National Fraud Initiative match investigations as at 8 November 2011 was considered.

Decision

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

(Reference: Report by Chief Internal Auditor, submitted)

15. FINANCIAL RISK ANALYSIS

A report summarising the outcome of a review of the financial risks related to the budget process was considered. The report outlines the process and approach to carrying out the analysis and summarises the main risks.

Decision

Noted the key financial risks which will be monitored on an ongoing basis as part of budget monitoring.

(Reference: Report by Head of Strategic Finance dated 30 November 2011, submitted)

16. RISK MANAGEMENT UPDATE

A report updating the Committee on progress and issues relating to risk management was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 9 December 2011, submitted)

17. AUDITED ACCOUNTS 2010/2011 AND EXTERNAL AUDIT REPORT

The external auditors, Grant Thornton UK LLP, have completed their audit of the Council's accounts for the year to 31 March 2011. The audited accounts incorporating the audit certificate and the external audit report for 2010-2011 were considered by the Council on 24 November 2011 and were now before the Audit Committee for consideration. The audit certificate contains no

qualifications and the external audit report highlights key issues for the attention of Members.

Decision

Noted the audited accounts, the terms of the audit certificate and the external audit report and that the Audit Committee will monitor the action plans agreed in response to individual audit reports that have been issued during the year.

(Reference: Report by Head of Strategic Finance dated 3 November 2011, 2010-2011 Annual Accounts and Report on the 2010-2011 Audit by Grant Thornton UK LLP dated 31 October 2011, submitted)

18. **AUDIT ASSURANCE ON TREASURY MANAGEMENT**

A report setting out information around the arrangements in place relating to management controls and risk for treasury management was considered. Its purpose is to provide assurance to the Committee that appropriate arrangements are in place.

Decision

Noted the contents of the report which will be reported annually to the Audit Committee.

(Reference: Report by Head of Strategic Finance dated 17 November 2011, submitted)

19. **SERVICE REVIEW OF INTERNAL AUDIT**

A report summarising the outcome of a review and the preferred option for future delivery of Internal Audit was considered.

Decision

Noted the contents of the report.

(Reference: Report by Head of Strategic Finance dated 1 December 2011, submitted)

Having established that the meeting was quorate from item 4 onwards, the Chair sought agreement from the Committee that the Minutes of the Audit Committee of 16 September 2011 were a correct record and these were subsequently approved.

ARGYLL AND BUTE COUNCIL	AUDIT COMMITTEE
COMMUNITY SERVICES	16 MARCH 2012

REVIEW OF DEBTORS ACCOUNTS: DIRECT PAYMENTS

1. **SUMMARY**

   1.1 The report, Review of Debtors Accounts – Direct Payments, was completed during November 2011 and accordingly presented to the Audit Committee.

2. **RECOMMENDATIONS**

   2.1 The Audit Committee is asked to note the content of the report.

3. **DETAIL**

   3.1 The report made 4 specific recommendations:

   3.1.1. As agreed by the Working Group, the launch of the new procedures must include training of Care Managers in their roles and responsibilities in relation to direct payments. Timescale: End of March 2012 (medium priority).

   3.1.2 In considering the offer from SPAEN (Scottish Personal Employers Network) to provide a support service, the Council must ensure that any service provided by SPAEN does not duplicate the service already provided by the Council's Personal Assistant Advisor but either complements or replaces it. The Council must ensure that however the support service is provided that Best Value is achieved. Timescale: End of February 2012 (medium priority).

   3.1.3 The Council must ensure, as far as possible, that the contact details for Direct Payment advice and support for Argyll and Bute clients is correct. As a minimum, the Scottish Government website should hold the correct contact details for Direct Payment Advice in Argyll and Bute. Timescale: End of January 2012 (low priority).

   3.1.4 Fifty seven of the cases were identified as having anomalies that had not been resolved. The Service must address this situation as a matter of urgency. To ensure that the correct payments are being made to clients, that the direct payment are being used appropriately, the client's needs are being met and a that a direct

payment is the most appropriate way to manage the clients care need. Timescale: End of March 2012 (high priority).

3.2 PROGRESS TO DATE

3.2.1 The new procedures are available on the Council's public folders and staff advised accordingly by Area Managers. Janie Ryan, DP Coordinator, has followed up all enquiries from staff on an individual on a one to one basis.

3.2.2 A report will go to the Community Services DMT on 19th March 2012 to consider a recommendation that the council should commission a service from SPAEN.

3.2.3 The external website updated- namely the Scottish Government, has been updated.

3.2.4 Area Managers sending updates to Head of Service monthly. The present position is that from the 57 cases previously noted, out of a total of 120 DP cases at the end of February 2012, there are currently 11 cases outstanding where the review has started but has not been completed. The timescale for completing the remaining 11 is the end of June 2012.

4. CONCLUSION

4.1 The recommendations made in relation to Direct Payments are on track to be completed with the outstanding reviews to be completed by the end of June 2012.

5. IMPLICATIONS

Policy: Consistent with national policy.

Financial: None.

Legal: None.

Personnel: None.

Equal Opportunities: None.

5 March 2012

For further information contact: Jim Robb
                                     Head of Adult Care
                                     Tel: 01436 677189

Agenda Item 5

ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

CHIEF EXECUTIVE'S UNIT

16 MARCH 2012

PERFORMANCE MANAGEMENT QUARTERLY REPORT

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1 **Introduction**

1.1   This report updates the Audit Committee on the progress being made across the Council relating to the key elements of the Planning and Performance Management Framework (PPMF), including

- Corporate Planning
- Service Planning
- Team Planning
- Community Planning Partnership
- Performance scrutiny

1.2   The report provides a detailed view of a range of key areas of development and continuous improvement.

2 **Recommendation**

2.1   It is recommended that the Audit Committee note the progress made in relation to performance management and improvement across the council.

3 **Detail**

3.1 As the council matures in its approach to performance management, so the systems and processes supporting officers and Members have been developed. The requirements of the Planning and Performance Management Framework are driving the continuous improvements in planning and scrutiny noted below.

3.2 The council is well positioned to present new and re-elected Members with robust performance information in a clear and concise manner following the local government election in May 2012.

3.3 Corporate Planning has benefited from broad consultation, taking as a starting point the Scottish Government's National Outcomes. Members and senior managers have consulted widely with employees and communities, leading to a focused Corporate Plan for 2012 and beyond which was adopted by council in February 2012.

3.4 Service Planning has been the culmination of the work of the Budget Working Group, working with Members and Heads of Services to deliver a suite of clear Service Plans. These Plans are aligned to the Corporate Plan, providing a direct link between the Council's priorities and front line service delivery. The Outcome-based Service Plans provided a robust platform for setting the balanced budget for 2012 and beyond.

3.5 Team Planning provides an action-oriented approach to delivering the services set out in Service Plans. The use of Team Plans enables Service Managers to align the

personal goals of employees with Service and Corporate Outcomes through the recently adopted Performance Review and Development process. The Team Planning guidance for 2012-13 has been adopted by the SMT, completing the framework for comprehensive corporate planning from the individual to the corporate level.

3.6 Council and Departmental Scorecards continue to provide summary information across the organisation, with simple click-through technology enabling managers to access the latest details of performance. Recent improvements include the addition of Service Improvement Plans and recommendations from external inspections. The Improvement and OD team are currently working on enhancing the display of Internal Audit Recommendations and Risk Registers, making these complex areas easier to understand.

3.7 The Community Planning Partnership has been developing a new Single Outcome Agreement and Community Plan – created as one document for greater efficiency and accessibility. Sharing outcomes and success measures, the new SOA/CP has generated support from all quarters – both in communities and across organisations. The theme groups have worked to create and develop a suite of success measures for each section of the Plan.

3.8 The Executive has continued to scrutinise the Council and Departmental scorecards, which are subsequently published on the Council's website for public performance reporting (PPR) purposes.

3.9 Area Committees have worked with the Improvement & OD Team to refresh their approach to area scrutiny. The former Area Plans have been set aside in favour of Area Scorecards, designed to provide up to date information about the topics relevant to each Area. These Scorecards are published as a part of regular public performance reporting.

4   Conclusion
4.1 The Planning and Performance Management Framework continues to be the structure against which performance is planned and measured. It is reviewed annually to capture ongoing improvements across the Council.

5   Implications

Policy	none
Financial	the Council's budget is set and monitored using the processes agreed in the PPMF
Personnel	none
Legal	none
Equal Opportunities	none

Jane Fowler
Head of improvement and HR

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ARGYLL & BUTE COUNCIL	**AUDIT COMMITTEE**
STRATEGIC FINANCE	**16 MARCH 2012**

AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2011 - 2012

1.   **SUMMARY**

In compliance with CIPFA Code of Practice for Internal Audit, on a quarterly basis the Audit Committee receives Audit Scotland reports pertaining to Local Government. The report appended is "The role of community planning partnerships in economic development" The report contains a checklist for which a management response has been provided.

2.   **RECOMMENDATIONS**

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

3.   **DETAILS**

3.1   The Audit Scotland report looks at how community planning partnerships (CPPs) operate. CPPs are involved in many activities aimed at supporting their local communities. The Audit Scotland report focuses on one policy area - CPPs' contribution to local economic development in relation to all 32 Councils.

3.2   The report covers the fact that all councils have established a CPP for their area. CPPs are led by councils and involve the NHS, police, fire and rescue services, the enterprise agencies, regional transport partnerships and other local organisations. CPPs are involved in a wide range of activities such as tackling drug and alcohol addiction, reducing anti-social behaviour and improving skills and literacy.

3.3   The report comes with a 20 page supplementary report which provides more detail on the main report. Both reports can either be viewed at http://www.audit-scotland.gov.uk/work/local_national.php 2011/12 or viewed in the Members Room where a copy is available.

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

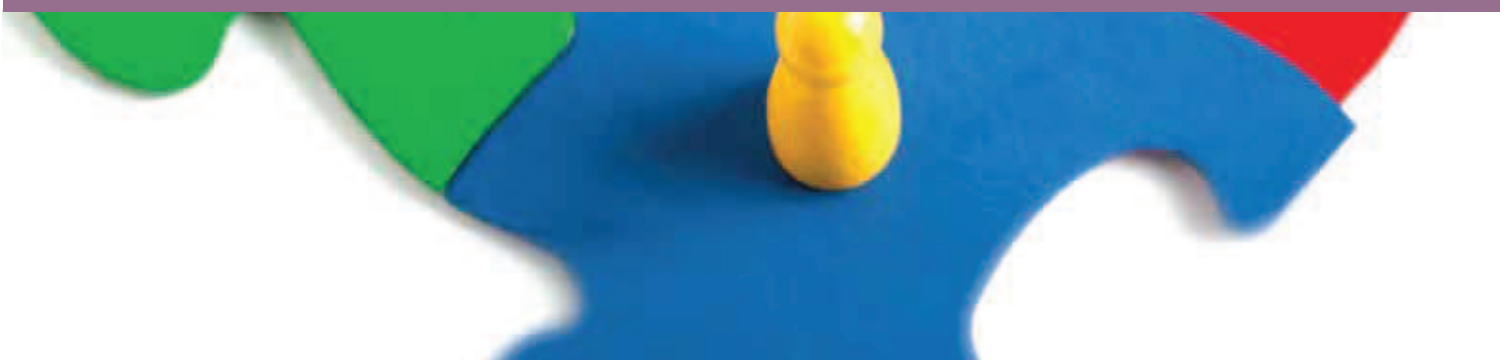5.5   Equal Opportunities: None

For further information please contact Ian Nisbet, Chief Internal Auditor (01546 604216). 20 February 2012

Key messages

The role of community planning partnerships in economic development

AUDIT SCOTLAND

Auditor General for Scotland

The Auditor General for Scotland is the Parliament's watchdog for helping to ensure propriety and value for money in the spending of public funds.

He is responsible for investigating whether public spending bodies achieve the best possible value for money and adhere to the highest standards of financial management.

He is independent and not subject to the control of any member of the Scottish Government or the Parliament.

The Auditor General is responsible for securing the audit of the Scottish Government and most other public sector bodies except local authorities and fire and police boards.

The following bodies fall within the remit of the Auditor General:

• directorates of the Scottish Government
• government agencies, eg the Scottish Prison Service, Historic Scotland
• NHS bodies
• further education colleges
• Scottish Water
• NDPBs and others, eg Scottish Enterprise.

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

• securing the external audit, including the audit of Best Value and Community Planning

• following up issues of concern identified through the audit, to ensure satisfactory resolutions

• carrying out national performance studies to improve economy, efficiency and effectiveness in local government

• issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Key messages

Background

1. Community planning is the process by which councils and other public sector bodies work together, with local communities, the business and voluntary sectors, to plan and deliver better services and to improve the lives of people who live in Scotland.

2. Community planning was given a statutory basis by the Local Government in Scotland Act 2003 (the Act). Under the Act:

- councils have a duty to initiate, facilitate and maintain community planning

- NHS boards, the police, fire and rescue services, and enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise (HIE)) have a duty to participate in community planning. This duty was later extended to Regional Transport Partnerships

- Scottish ministers (through the Scottish Government and its agencies) have a duty to promote and encourage community planning.

3. Councils can invite other bodies, such as colleges, higher education institutions, business groups, voluntary organisations and community groups to take part in community planning, although these are not statutory partners.

4. All councils have established a community planning partnership (CPP) to lead and manage community planning in their area. CPPs are not statutory committees of a council, or public bodies in their own right. They do not directly employ staff or deliver public services.

5. The structure of CPPs and the areas they cover vary considerably, depending on the size and geography of the council area, its economy, socio-demographic factors and local political priorities.

6. There have been significant changes to the environment within which CPPs operate since they were given a statutory basis in 2003. In 2007, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) signed a concordat, which had a direct impact on community planning, in particular:

- the removal of ring-fenced funding to local government

- the introduction of Single Outcome Agreements (SOAs). SOAs outline each CPP's strategic priorities, expressed as local outcomes, and set out how CPPs will contribute to achieving the Scottish Government's national outcomes.

7. In addition to these policy changes, the economic downturn and subsequent reductions in public sector funding present further challenges for CPPs and their local communities.

Our work

8. Our audit aimed to assess whether CPPs have made a difference to local communities. As CPPs cover a wide range of activity, we focused our audit on examining their contribution to economic development. We chose this policy area because CPPs have an important role in coordinating local economic development activity and it has a direct link to the Scottish Government's purpose of increasing sustainable economic growth.

9. Using this specific focus allowed us to look in more depth at how CPPs operate in one policy area. The findings in our report primarily relate to CPPs' role in economic development, although there are some messages which can be applied more generally to all CPP activity.

10. In 2006, Audit Scotland published *Community planning: an initial review*, which found there had been some progress with community planning but the complexity of community planning structures and different accountabilities could be a barrier to effective working. Performance management also needed to improve. While this audit was not intended to be a direct follow up to the 2006 report, it provides an update on how these issues have been addressed within the context of CPPs' role in economic development.

11. Our evidence is based on a survey of all 32 CPPs, a detailed examination of partnership working in four CPPs and interviews with a range of other stakeholders. We also reviewed CPPs' SOAs and economic development strategies, and analysed economic data.

2

Key messages

1 Economic development covers a wide range of activities from local training initiatives to major inward investment. CPPs have an important role in planning and coordinating improvements to local economies. Other aspects of economic development are better planned at a national or regional level. This means a more joined-up approach is needed to deliver the Scottish Government's overall purpose of achieving sustainable economic growth.

12. Economic development covers a number of different activities including: large-scale inward investment projects; support for businesses; employment, skills and training programmes; tourism; environmental and transport projects; and regeneration.

13. It contributes towards a number of national outcomes in the Scottish Government's National Performance Framework, and three in particular:[1]

- We live in a Scotland that is the most attractive place for doing business in Europe.

- We realise our full economic potential with more and better employment opportunities for our people.

- We are better educated, more skilled and more successful, renowned for our research and innovation.

14. A large number of bodies are directly involved in economic development, and operate at different levels (Exhibit 1). We estimate that the main public sector bodies involved

in economic development (colleges, councils, HIE, Scottish Enterprise, Skills Development Scotland and VisitScotland) spent around £1.3 billion on this in 2009/10.[2]

15. The activities of many other public bodies also contribute to economic development, for example Jobcentre Plus. However, it is not possible to estimate what proportion of these bodies' expenditure can be attributed to economic development, so it is difficult to calculate the total public sector expenditure on economic development across Scotland.

16. The range of national and local bodies in Scotland and the diverse nature of economic development mean that CPPs have adopted different structures to take forward local economic development (see paragraphs 36–40 of the main report):

- Over two-thirds of CPPs have one economic theme group reporting to the CPP board, that coordinates all economic development activity.

- In five CPPs, responsibility for economic development activity is split between two or more theme groups, for example separating out responsibility for employability and regeneration.

- Five CPPs have established other arrangements, for example adopting a regional approach across more than one CPP.

17. In 2007, the Scottish Government introduced reforms to support its national economic strategy.[3] These changes to the enterprise structure have had a significant impact on CPPs and their economic theme groups (Exhibit 2, overleaf). In particular, there was an initial loss of economic

development skills to support CPPs and councils in improving local economies. (See paragraphs 41–43 of the main report.)

18. Economic growth is dependent on activity that may take place at national, regional or local levels. Some economic development activity is more effective when planned on a regional level, for example transport infrastructure projects. Other developments may be more focused on local communities.

19. Developments which are particularly effective when targeted at a local level include improving employability and providing skills advice to local businesses and people. These services are currently delivered by a range of different bodies (Exhibit 3, page 5). CPPs have an important role in bringing these services together in a way which maximises the benefit to the local economy, minimises duplication and ensures public investment is effectively targeted.

20. As well as the 32 CPPs and the national bodies, there are a range of national and regional partnership approaches. For example, the National Economic Forum brings together senior business groups, the Scottish Government and the wider public sector, to debate issues that affect economic growth throughout Scotland.

21. The different levels of planning, the wide range of activities and the various bodies and partnerships involved create risks that services may be duplicated or there may be gaps in provision. It also emphasises the importance of ensuring that there is effective coordination of activity at national, regional and local levels. (See paragraphs 49–52 of the main report.)

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1   In 2007, the Scottish Government established a National Performance Framework setting out 15 national outcomes which all parts of the public sector should work towards. The Scottish Government tracks progress towards these outcomes through 45 national indicators.

2   Figures taken from *Survey of National Economic Development Investment in Scotland,* the Scottish Local Authorities Economic Development Group (SLAED), January 2011. Spend by colleges – *Main Grant Letter, Main grants to colleges for academic year 2009-10,* Scottish Funding Council, April 2009.

3   *The Government Economic Strategy,* Scottish Government, 2007. The Scottish Government updated its economic strategy in September 2011.

Exhibit 1
The main public sector bodies involved in economic development
Economic development is the responsibility of a number of national, regional and local bodies.

National economic development

Scottish Government
Develops Scotland's economic strategy. Funds major economic development projects.

Jobcentre Plus
UK-funded organisation – provides support and advice to individuals looking for work.

VisitScotland
Works with businesses and public bodies to maximise the economic benefits of tourism.

Skills Development Scotland
Delivers the Scottish Government's skills strategy.
Provides support and training programmes to individuals and businesses.

Transport Scotland
Improves transport networks to attract businesses and to enable people to get to work.

Scottish Development International
Promotes international trade and encourages overseas companies to invest in Scotland.

Higher Education Institutions
Provide learning to help people secure high-quality jobs.

Scottish Enterprise
Helps Scotland become more globally competitive by: supporting high-growth companies; building globally competitive sectors; and building a business environment which supports growth and attracts investment.

Regional economic development

Highlands and Islands Enterprise (HIE)
Supports the Highlands and Islands to be a competitive region by: supporting businesses; strengthening communities; and developing key sectors.

Strategic Development Planning Authorities
Prepare strategic development plans for four city regions, to coordinate infrastructure planning for cross-boundary land use.

Regional Transport Partnerships
Plan and deliver regional transport activity to help develop the economy by: improving connectivity for businesses; and providing access to employment and education.

Regional Advisory Boards
Advise Scottish Enterprise on the best way to maximise the contribution of each region to economic growth.
Ensure the private sector and key stakeholders have a role in developing Scottish Enterprise's strategy.

Local economic development

Councils
Responsible for local economic development and regeneration, including local transport projects, licensing and planning.

Business Gateway services
Delivered through 12 lead councils in lowlands Scotland and six councils in the HIE area.[1] The service, which is currently outsourced to a number of suppliers, includes advice to businesses, start-up courses, workshops and marketing events.

Colleges
Provide education to over 16s, including school-level, degree-level and vocational qualifications, to improve job prospects.

Note: 1. Aberdeenshire, City of Edinburgh, Dumfries & Galloway, Dundee City, Falkirk, Fife, Glasgow City, North Ayrshire, North Lanarkshire, Renfrewshire, Scottish Borders, West Dumbartonshire; Argyll and Bute, Highland, Moray, Orkney Islands, Sheltland Islands and Western Isles.

Source: Audit Scotland, 2011

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Exhibit 2
The impact of Scottish Government enterprise reforms on CPPs
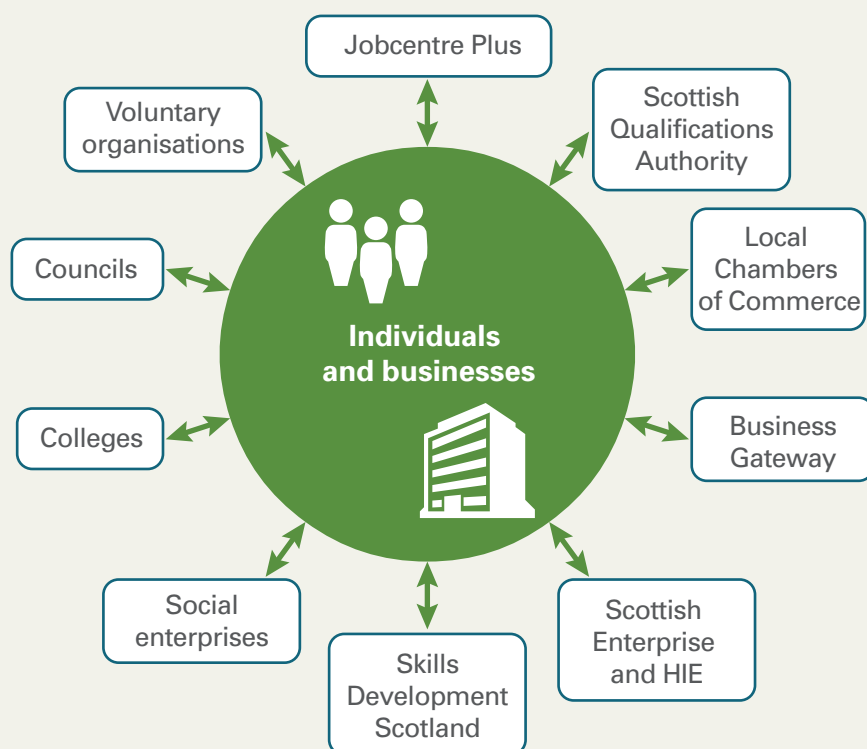The enterprise reforms reduced national bodies' role in providing local economic expertise and support.

Enterprise reform	Impact on CPPs
Responsibility for local economic development and local regeneration transferred from Scottish Enterprise to councils.[1]	CPPs given clear responsibility for local economic growth.
	No guidance setting out the role of councils and other public sector bodies in local economic development leading to a potential lack of clarity about roles and responsibilities.
The remit of Scottish Enterprise and HIE was changed to focus on national and regional economic development activity, with a focus on key sectors and companies with high-growth potential.	Scottish Enterprise and HIE withdrew support from some local economic development projects.
	Scottish Enterprise's role in CPPs changed. It now has a greater input in those areas where projects are the best fit with its national priorities.
Business Gateway services were transferred from Scottish Enterprise to 12 lead councils in lowlands Scotland, and rolled out to the Highlands and Islands councils from April 2009.	CPPs have to ensure the needs of businesses in their areas are being met, and provide support to new businesses.
Local Enterprise Companies (LECs) and Local Economic Forums (LEFs) were abolished from April 2008.	Loss of some regional economic planning forums.
	Initial loss of public sector and business expertise in local economic development.
	CPPs had to review and revise their existing arrangements for economic development.
The skills and training functions of Scottish Enterprise and HIE, including Careers Scotland, were merged with learndirect Scotland to form Skills Development Scotland.	An initial lack of involvement by Skills Development Scotland in CPPs meant that its role in delivering local outcomes was not clear.

Note: 1. HIE has retained responsibility for local regeneration under its 'Strengthening Communities' remit.
Source: Audit Scotland, 2011

Exhibit 3
Bodies that provide employment and skills advice to individuals and businesses
CPPs have an important role in coordinating services for individuals and businesses.

Jobcentre Plus

Voluntary organisations

Scottish Qualifications Authority

Councils

Local Chambers of Commerce

Individuals and businesses

Colleges

Business Gateway

Social enterprises

Scottish Enterprise and HIE

Skills Development Scotland

Source: Audit Scotland, 2011

2 The economic development component of SOAs and local economic development strategies need to be better aligned and based on good information about local economies. They should include outcomes and indicators that enable progress to be assessed and managed. SOAs and economic development strategies should also be developed in close consultation with local businesses. While there are examples of CPPs performing well in these areas, this is not consistent across Scotland.

22. In developing their strategies for improving local economies, CPPs need to have a good understanding of the economic needs of their areas. Each strategy should be based on analyses of social, economic and environmental conditions that set out the future economic challenges and opportunities for the area.

23. We reviewed the economic development content of all SOAs and all the available local economic development strategies. We found variation in the coverage and quality of the analysis underpinning these documents. Although economic analysis was more comprehensive in economic development strategies than in SOAs, there were weaknesses in both sets of documents. For example, we found:

- limited or inconsistent use of comparative information to identify areas for improvement (for example, comparisons against Scotland or other CPPs)

- limited analysis of the needs of different population groups (for example, the needs of long-term unemployed people)

- little use of trend analysis.

24. Some CPPs demonstrated a good use of economic data in their SOA. East Ayrshire is an example of how local research and consultation can be used to develop a more detailed understanding of the economic needs of the local area. (See paragraphs 53–58 of the main report.)

25. Links between SOAs and economic development strategies are not always clear. Many economic development strategies pre-date the introduction of SOAs. However, even where they were developed after the SOA, there are often poor connections between them.

26. CPPs have chosen a wide range of local outcomes for the three national outcomes that relate to economic development. These are supported by an even wider range of local indicators to measure progress. The 32 SOAs include a total of 274 local outcomes and 574 local indicators linked to the three national outcomes relating to economic development.

27. We found limited links between the economic profile of the CPP areas and the outcomes and indicators in their SOAs, and only a small number of local outcomes address the needs of local businesses or specific groups (with the exception of children and young people).

28. SOAs are intended to reflect local circumstances and priorities and they were never intended as a way of comparing performance across different CPPs. However, as a result there is currently no mechanism to assess how effectively CPPs are performing in relation to economic development. The variability of local economic outcomes also means that CPPs' performance cannot be

aggregated to assess their overall contribution to achieving national outcomes. (See paragraphs 61–65 of the main report.)

29. The Scottish Local Authorities Economic Development Group (SLAED) has developed a series of economic indicators to help measure the impact of economic development activity across Scotland. Use of these indicators could help improve consistency and allow performance to be compared across CPPs.

30. Engagement with local businesses is important in helping to improve local economies. However, the involvement of the business sector in community planning varies among CPPs. There is a business representative on half the CPP boards and on 27 out of 31 economic theme groups.[4]

31. CPPs reported that they often found it difficult to engage effectively with the business sector; and business sector representatives reported that the way community planning is managed did not always encourage their involvement. We identified a number of ways CPPs could improve business sector engagement. For example, by:

- demonstrating that views are being listened to and acted upon, so businesses know they are not wasting their time and effort

- reducing bureaucracy by streamlining and summarising paperwork

- arranging meetings at times that fit in with business hours, for example business breakfasts. (See paragraphs 68–75 of the main report.)

3 CPPs have supported successful local economic developments. However, the reduction in ring-fenced funding and the current economic climate increase the need for CPPs to improve their understanding of the costs of delivering agreed outcomes and what this means for individual partners' budgets. The introduction of SOAs led to improvements in how CPPs monitor and report performance. However, partners need to share responsibility for managing performance against the SOAs.

32. CPPs have supported successful local economic developments. For example, in Dumfries and Galloway, businesses in the food and drink industry were supported by a number of initiatives that have created new jobs and protected existing ones.

33. In the current financial climate, partner bodies need to understand the cost of delivering agreed local priorities and what this means for their individual budgets. However, there is limited evidence that CPPs understand either these costs or what resources are available locally. There is limited, if any, joint financial planning and CPP managers report that there needs to be better alignment of partners' budgets, resources and activity if agreed local outcomes are to be achieved. (See paragraphs 76–80 of the main report.)

34. The introduction of SOAs improved how CPPs monitor and report performance. In our survey, nearly all CPPs reported that they had made improvements to performance monitoring as part of their overall approach to improving

governance. However, the extent to which performance is actively managed is not clear.

35. We reviewed the minutes of a number of CPP board meetings and found that almost all economic theme group reports submitted to the board were only 'noted'. Few of the minutes identified any action taken as a result of these reports or presentations, although there were exceptions, for example East Ayrshire and West Lothian CPP boards.

36. Performance management within individual organisations has traditionally focused on improving how efficiently and effectively resources are used to achieve agreed objectives, usually within that organisation's control. Managing performance in a partnership context, where improvements require input by several different organisations, is more complex.

37. CPPs differ in how they manage performance. For example, some CPPs acknowledge that some outcomes are not being achieved as effectively as planned but take little further action. Sometimes this is because they consider that the reasons for lack of progress are outwith the CPP's control. In other CPPs, members of the CPP board may work 'behind the scenes' to find out why outcomes are not being achieved, often by using long-standing relationships among partners, and may informally agree actions to address this.

38. We also found that some CPPs adopt a more collective and transparent approach to managing performance. CPP board and/or theme group members work together

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4   Aberdeen City and Aberdeeenshire CPPs have one joint economic theme group.

to try and understand why outcomes are not being achieved and identify what further support different partner organisations can provide to address the problem. Building a culture of mutual respect and trust to enable partners to challenge each other when action is not being taken in relation to agreed outcomes increases collective responsibility for SOAs.

39. Audit Scotland has previously commented on the good governance principles for partnership working.[5] These are set out in Appendix 3 of our main report and CPPs should consider these principles when reviewing their performance. (See paragraphs 81–87 of the main report.)

4 Existing accountability arrangements should be used to hold all statutory partners to account for their contribution to delivering SOAs. However, the tensions, between national and local priorities mean this does not always happen in practice. These tensions, and the differences in accountability, mean there are limits to the extent to which CPPs can hold partners to account for their contribution to agreed outcomes or be held to account themselves for delivery of their SOA.

40. The statutory guidance supporting the Local Government in Scotland Act 2003 makes it clear that the process of community planning should not alter the basic accountability structures already in place for individual partner bodies. This was further clarified in guidance prepared in 2008 following the introduction of SOAs.[6]

41. In 2009, the Concordat Oversight Group published further advice on the governance and accountability for SOAs. This stated that statutory

public sector partners are ultimately accountable on an individual basis to ministers and Parliament, or elected members, and not to the CPP. It highlights that, upon signing, statutory partners agree to:

- sign up to the whole SOA

- adopt the SOA as a formal corporate commitment

- support delivery of the SOA compatible with duties and responsibilities

- review pre-existing structures/ processes and resource deployment to optimise delivery of outcomes.

42. Holding partner bodies to account for their contribution towards achieving local economic development outcomes is therefore expected to be undertaken through existing, statutory arrangements.

43. All CPP partners have their own responsibilities and duties clearly articulated in their corporate plans, which are agreed with their governing bodies and/or the Scottish Government. Councils use SOAs as the basis for their corporate plan and prepare an SOA annual report, on behalf of their CPP, outlining progress against local outcomes. This report is considered by elected members and made publicly available. Council officers and members consider that these arrangements demonstrate clear accountability to their electorate in relation to SOAs.

44. We also reviewed a number of corporate plans of other CPP partners that had signed SOAs and found that few of them contained any detailed commitments to achieving

the agreed local outcomes. Without a clearly articulated commitment to the SOA in their corporate plans, it is difficult to see how those partners are being held to account for the SOA through the existing accountability arrangements outlined in Exhibit 4 (overleaf).[7] (See paragraphs 88–93 of the main report.)

45. Since 2007, the Scottish Government has given an increased role to CPPs as the main vehicle for delivering improvements to local communities and thereby contributing to national outcomes. This has been welcomed by those working locally to deliver better services. However, there are inherent tensions between local and national priorities which CPPs have to deal with.

46. Another area of tension is linked to the different local and national democratic structures operating in Scotland. This is reflected in the different accountability arrangements faced by CPPs. Councils are accountable through local democratic processes while other partners are accountable to ministers and ultimately to the Scottish Parliament.

47. However, little has been done to address the inherent tensions between national and local priorities and national and local accountability arrangements. CPPs are therefore limited in the extent to which they are able to hold partners to account for their contribution to achieving agreed outcomes. While partners work together under the statutory guidance, the partnerships themselves are not statutory bodies. This means that the extent to which they can be held to account for the delivery of SOAs is limited to the individual partners' own governance arrangements.

5   *Review of community health partnerships*, Audit Scotland, June 2011.
6   *Single Outcome Agreements – Guidance for Community Planning Partnerships*, High Level Steering Group, October 2008.
7   The 2009 governance and accountability guidance provided some clarity on the role of HIE and Scottish Enterprise in SOAs. It stated that these bodies should contribute to the delivery of local outcomes where national and local outcomes are complementary.

8

Exhibit 4

The accountability arrangements for CPP partners typically involved in economic development

Partners involved in CPP economic theme groups have different accountabilities.
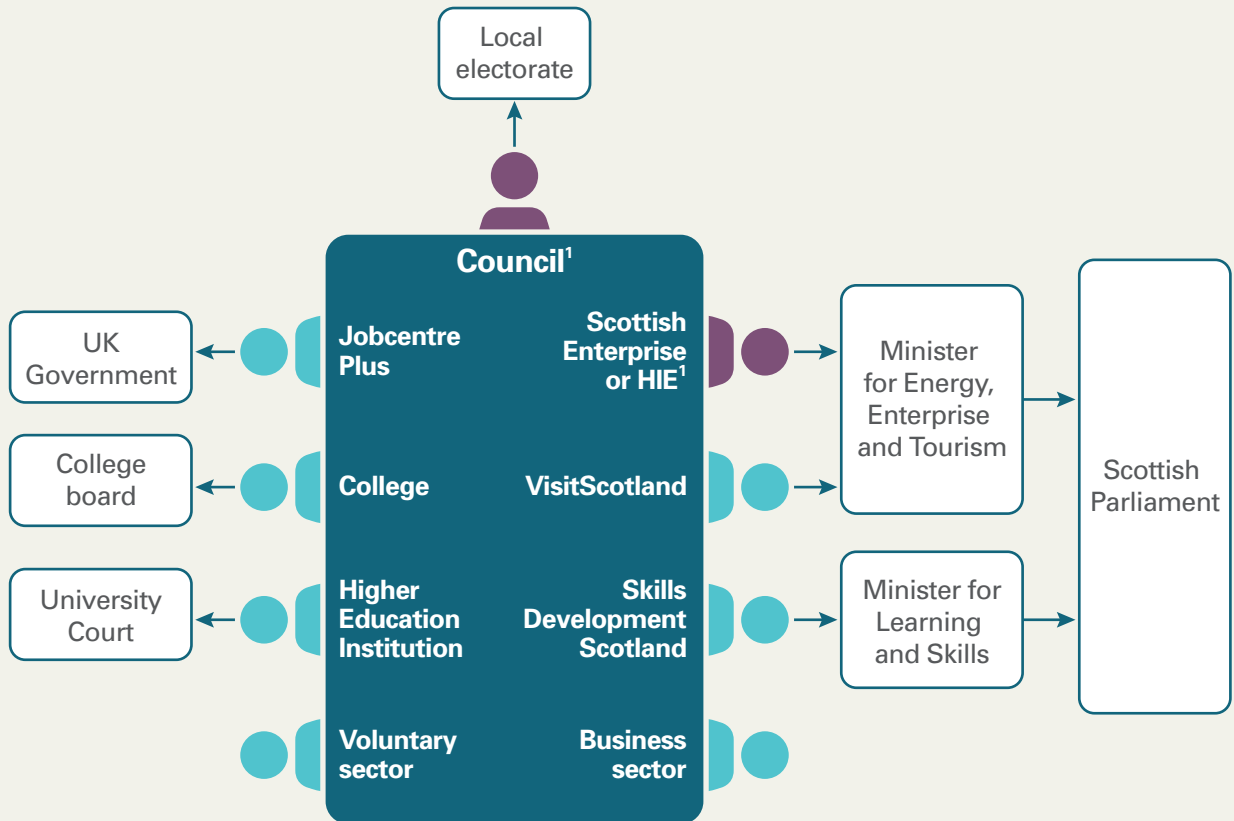
Note: 1. Bodies highlighted in purple represent statutory partners and those in blue represent non-statutory partners. The business and voluntary sectors have various accountability arrangements

Source: Audit Scotland, 2011

48. Different governance and accountability arrangements for individual partners are still considered by CPP managers to be a barrier to effective partnership working. Around 70 per cent of CPP managers reported this as an issue which creates challenges at CPP board level, while around the same percentage reported that this issue also affects the success of their CPP economic theme group.

49. *The Commission on the Future Delivery of Public Services* (Christie Commission) report also highlighted this area of tension. It recommended that the Scottish Government should work with local government and other partners to put in place an appropriate set of common powers and duties, focused on the common pursuit of outcomes.[8] (See paragraphs 94–98 of the main report.)

50. CPPs' annual reports on progress against their SOAs are intended to provide the Scottish Government with a summary of the local contributions towards national outcomes. Following submission of the first set of SOA annual reports in 2009, the Scottish Government published an overview report in February 2010.

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8   *The Commission on the Future Delivery of Public Services*, Christie Commission, June 2011.

51. This report summarised CPP activity to support each national outcome. It noted that it will take time before progress can be robustly measured against each of the 15 national outcomes, and that future SOA reports should increasingly allow the Scottish Government to measure progress on CPPs' contribution to the national outcomes. However, our findings showing the variation of economic outcomes and indicators used in SOAs demonstrate that this will continue to be difficult to measure.

52. We found little evidence of action taken by the Scottish Government as a result of any SOA annual report. A number of CPPs reported that they received no feedback from the Scottish Government following submission of their 2009/10 annual report.

53. The current limitations associated with the availability of robust performance information and an absence of accountability for delivery of SOAs, combined with a lack of a clear picture of SOAs' contribution towards achieving the national outcomes, create significant challenges for Scotland in achieving its national economic priorities. (See paragraphs 99–105 of the main report.)

About our recommendations

54. Our recommendations can be divided into those which apply to CPPs as a whole and those which are specific to their role in economic development. Our more general recommendations relate to:

- clarifying the role of CPPs in achieving national outcomes

- the need for better use of data and more consistency in the use of local indicators in SOAs

- the particular challenges associated with managing performance in a partnership context

- the need to resolve the tensions between national and local priorities and between different accountability arrangements.

Summary of key recommendations

The Scottish Government should:

- ensure that central government and NHS bodies that are involved in CPPs are held to account for their performance in community planning and contribution to SOAs

- further clarify its expectations on the alignment of local and national priorities, and the contribution of CPPs to achieving national outcomes

- work with CPP partners and other relevant bodies to improve the coordination of economic development at national, regional and local levels. This should support the national priority of increasing sustainable economic growth.

CPPs should:

- challenge lack of progress in meeting agreed local outcomes identified in the SOA

- develop a better understanding of the costs of delivering agreed outcomes and what this means for individual partners' budgets

- ensure they are working effectively both within and across CPP boundaries, where appropriate, to help improve local economies

- take a more systematic approach to understanding their local economies and use this as a basis for developing evidence-based local economic development outcomes

- improve the quality and consistency of economic indicators used in SOAs and economic development strategies, for example by using the indicators developed and agreed by the Scottish Local Authorities Economic Development Group (SLAED)

- align local economic development strategies with outcomes in the SOA

- ensure that they engage effectively with businesses to improve local economic development.

All CPP partners should:

- ensure that SOA commitments are reflected in their own plans.

The role of community planning partnerships in economic development

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AUDIT SCOTLAND

The Role of Community Planning Partnership in Economic Development

Key Point/Checklist/ Recommendation	Council Position	Action/Response	Date	Lead Officer
Do the CPP board members have an agreed vision for the area and a shared understanding of what needs to be done to achieve that vision?	Yes.	Through development of the new Community Plan and SOA 2012-13 Partners have agreed priorities and Outcomes under the 4 CPP Themes. Success measures to be finalised by Thematic Groups – economy Thematic Group meets 29th February 2012.	Draft approved by CPP (15th February 2012) Success measures finalised 29th February 2012	Jane Fowler, ABC Economy Theme Lead – Douglas Cowan (HIE), Council Lead, Economy, Robert Pollock.
Do Senior decision-makers from each partner organisation regularly attend CPP board meetings?	Yes	Theme Lead represents Scottish Enterprise, Skills Development Scotland and Careers Scotland at Board level. ABSEN are represented through the Third Sector Partnership. ABC and other core partners regularly attend at Board level (Management Committee).	Full partnership 3 times per year Management Committee 6 times per year	Jane Fowler, ABC
Are CPP board meetings strategically focused, effectively chaired, have manageable agendas and result in agreed actions?	Yes	Agendas are agreed through discussions with Chair (NHS Highland) Council CEO and other senior representatives. Meetings run to time and actions are minuted and followed up at subsequent meeting. Some strategic activity takes place at Executive Sub group and is reported to Management Committee. Self assessment identified the opportunity to improve strategic focus of management committee.	Self assessment will be finalised by June 2012	Jane Fowler, ABC
Has the CPP a good understanding of the needs and aspirations of local communities?	Yes	Local Area Community Planning Groups enable local issues to be addressed at a local level and information to be fed up to Management Committee. The recent self assessment of community planning has identified some issues around the style and delivery of local community planning. These are being addressed. A consultation diary for all partners is in place. All Local area community planning groups have a map of all other groups and partnership that feed into it from the community. The 3rd sector and communities group reports to the Management Committee and Full partnership and implements actions and improvements in relation to communities needs. The Local area community planning groups are the focus for all consultation on services by partner agencies to ensure input.	Self assessment findings and action plans will be finished by June 2012	Jane Fowler, ABC

The Role of Community Planning Partnership in Economic Development

Is community and business engagement strategically managed and coordinated by the CPP board; and results are reflected in the CPP's planning and decision-making?	Yes	Third Sector and Communities and CPP Economy Theme groups have representatives from respective sectors and both link directly to CPP Management Committee and Full Partnership. Thematic groups have developed success measures to be agreed February 2012. Delivery of Community Plan/SOA will be monitored through the Thematic Groups and reported to Management Committee.	Thematic groups approve Success measures 29th February.	Jane Fowler, ABC Economy Theme Lead – Douglas Cowan (HIE), Council Lead, Economy, Robert Pollock. Third Sector and Communities Theme Lead – Glenn Heritage (Third Sector Partnership) Council Lead, Margaret Fyfe.
Does the CPP understands the wider regional and national strategic context it operates within, and ensures its activities are effectively planned and coordinated with other bodies and partnerships, where appropriate?	Yes.	The Community Plan and Single Outcome Agreement links directly to the Government's priorities and thus sets the activities of the partnership in a national and strategic context. Argyll and Bute CPP has a number of partners working across areas beyond the geography of Argyll and Bute. This puts pressure on the CPP to engage with national bodies as well as local bodies. The Management Committee and Full Partnership regularly consider issues, such as the Single Police/Fire service, and the impact of potential changes on the partnership and services in Argyll and Bute.	Ongoing	Jane Fowler, ABC
Does the SOA reflects the CPP's vision and needs of the area, contains evidence-based outcomes that are clearly articulated and enable progress to be tracked over time.	Yes	The SOA (2009-12) was developed with partner input and clearly articulates a joint vision for the partnership. Outcomes were agreed by all partners according to their own due process. These are accompanied by SMART measures that are recorded in Performance Scorecards and CPP Thematic Groups and the Management Committee will have the role of scrutinising deliver of the plan.	April 2012 – March 2013	Jane Fowler, ABC
Is the SOA supported by relevant and evidence-based strategies	Yes	The Community Plan / SOA 2012-13 (once finalised) will include success measures from partners own strategies and action plans aligned to the overall CPP Outcomes.	April 2012 – March 2013	Jane Fowler, ABC

and action plans that are clearly aligned to the SOA?				
Does the CPP board understands both the resources available locally and the resources needed to achieve agreed outcomes?	Yes.	The Partnership understands the resources available locally but also acknowledge the challenges faced. The Scottish Government review of community planning will provide further input into the resourcing of Community Planning and will inform the Argyll and Bute partnership.	August 2012	Jane Fowler, ABC
Can partners demonstrate how they are using their funding, assets and staff to support achievement of these outcomes?	Yes,	Through performance management of partner measures in Community Plan / SOA.	Ongoing	Jane Fowler, ABC
Do individual partners' corporate and local plans and strategies include relevant outcomes agreed in the SOA?	In part	There are 32 partner organisations. The core partners' plans are clearly aligned with SOA's. Some partners' corporate strategies are aligned to more than one Local Authority SOA as they cover a wider area.	Ongoing	Jane Fowler, ABC
Is there Progress towards achieving the SOA monitored using clearly defined indicators and milestones, which: • are linked to the outcomes in the SOA? • enable the CPP's performance to be compared with other similar areas or tracked over time?	Yes	The partnership is making good progress on linking measures to outcomes. The new Community Plan/SOA contains clearly aligned measures. Partners are now able to access Council performance management system to track progress and scrutinise performance.	New CP/SOA monitored through Thematic Groups and at management Committee 2012-13	Jane Fowler, ABC

• enable partners to demonstrate the impact of their activities?				
Is the Performance information provided to the CPP board is relevant, strategically focused and presented in a way that supports effective scrutiny and decision-making?		CPP scorecards are presented to Board and also scrutinised through Thematic Groups. Any exceptions are discussed and if required remedial action is taken.	Quarterly at management committee Quarterly at Thematic Groups	Jane Fowler, ABC
Does the CPP board demonstrates a collective and transparent approach to managing performance and takes decisive action if progress is not being made?	Yes	All partners are committed to feed into the agreed performance management system and any issues with availability of data can be highlighted at thematic and Board meetings. Failure to achieve agreed targets is reported through Thematic Groups and reported to management Committee if necessary.	Quarterly at management committee Quarterly at Thematic Groups	Jane Fowler, ABC
Does the CPP board regularly review its governance arrangements to ensure they meet agreed good practice, has agreed schemes of delegation where appropriate, regularly undertakes shared risk assessments, and has agreed arrangements for managing identified risks?	Yes	This was recently reviewed as part of the self assessment and current work on roles and responsibilities is underway for the entire CPP framework.	To be completed by March 2012	Jane Fowler, ABC

Agenda Item 7

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
16 MARCH 2012

INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2011 - 2012

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1. **SUMMARY**

   In compliance with good practice in delivering internal audit services set out in the CIPFA Code of Practice for Internal Audit in Local Government (the Code); attached for the Audit Committee are final report summaries and action plans from recent internal audits. Appendix 1, lists the attached reports with dates for draft issue, final management comment and final issue.

2. **RECOMMENDATIONS**

   2.1 The contents of this report are to be noted.

3. **DETAILS**

   3.1 To December 2011, a total of 13 final reports had been provided to the Audit Committee. A further 6 final reports are provided with this report to the Audit Committee and are listed in Appendix 1. In addition, 13 corporate performance audits have now returned to the Strategic Management Team (SMT) for consideration. These reports will be the subject of a separate report to the Audit Committee.

   3.2 The attached reports contain both the Executive Summaries and Action Plans from finalised audit work. The Action Plans detail only those recommendations where Internal Audit in agreement with management has classified the findings either High or Medium. Therefore findings and recommendations classified as Low 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.

4. **CONCLUSION**

   The contents of this report will be followed up by internal audit.

5. **IMPLICATIONS**
   5.1 Policy: None

   5.2 Financial: None

   5.3 Personnel: None

   5.4 Legal: None

   5.5 Equal Opportunities: None

For further information please contact Ian Nisbet, Chief Internal Auditor (01546 604216 6 March 2012

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Internal Audit Reports
Audit Committee – February 2012

List of Internal Audit Reports for Audit Committee as at 6 March 2012

Internal Audit Reports 2011 - 2012

No.	Report Title	Draft Issue	Final Management Response	Final Issue
1.	Council Tax	29 Nov 2011	08 Dec 2011	12 Dec 2011
2.	Carefirst	30 Nov 2011	13 Dec 2011	20 Dec 2011
3.	Business Continuity	15 Dec 2011	28 Feb 2012	2 March 2012
4.	Capital Accounting	10 Feb 2012	24 Feb 2012	5 March 2012
5.	Travel and Subsistence	15 Feb 2012	6 March 2012	6 March 2012
6.	Planning/Building System	21 Feb 2012	6 March 2012	6 March 2012

It should be noted that the Draft Issue date recorded above is when the first draft was sent out for review/comment by management. This is the date that audit work ended. Subsequent draft reports can be issued thereafter as discussions with management regarding audit findings and recommendations commence. Only when agreement is reached is the Final Management Response date recorded. This is reflected in the Final Issue Report Date column where in most cases the dates of issue are the same as the final management response date.

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Internal Audit Report

Customer Services

Council Tax and Non Domestic Rates

2011-12

1   INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Council Tax & Non Domestic Rates – Discounts and Exemptions, located within Customer & Support Services, Customer Services Department at Witchburn Road, Campbeltown. The audit is part of the 2011/2012 Internal Audit programme.

From 1 April 1993 onwards, Council Tax is payable in respect of any dwelling which is not an exempt dwelling. Last year Argyll & Bute Council received approximately £46m representing 17% of the Council's income from Council Tax.

Local Authorities have discretion to administer Council Tax discount on second homes and long term empty properties of between 10% and 50%. There are approximately 4,000 second homes and holiday homes registered in Argyll & Bute. Around 300 of these receive the maximum 50% discount due to their status as purpose build holiday homes. The remaining properties receive a 10% discount as second homes.

Twelve staff are responsible for processing Council Tax bills, discounts and exemptions. All must be aware of government legislation in respect of Council Tax. All Council Tax staff must have access to appropriate legislative guidance. Any required training relating to legislative changes must be delivered as and when required.

Currently, Council Tax staff process approximately 100 pieces of daily correspondence, and work within a 10 day target for answering Council Tax correspondence.

2   AUDIT SCOPE AND OBJECTIVES

The audit focused on ensuring that all calculations, decisions, actions, payments & refunds were valid, controlled and accurately recorded in respect of Council Tax discounts and exemptions. The specific objectives of the audit were to assess and report on whether: Liability, Billing, Collection, Refunds, Recovery and Enforcement Regulations, were up-to-date and being adhered to.

3   RISK ASSESSMENT

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The area identified was:

SR16 Failure to have a robust internal control process and system

4   CORPORATE GOVERNANCE

There were no Corporate Governance issues to be reported as a result of this audit.

5   MAIN FINDINGS

5.1   Information on Council Tax bands, how to pay Council Tax, discounts and exemptions was found to be available to the general public on the Council website. Discount and exemption application forms were also found to be available and can be completed electronically via the Council website.

5.2   The staff that are responsible for processing Council Tax bills, discounts and exemptions were found to be aware of the conditions set out in legislation, to have access to guidance and receive necessary training when required.

5.3   Internal Audit undertook a review of Data Access Controls and these were found to be working and robust.

5.4   On inspection of Northgate and Comino systems Internal Audit found that discounts and exemptions were controlled and records accurately recorded.

5.5   Internal Audit found that there was not a structured approach or timetable drawn up for a number of the discount and exemption categories. Our review uncovered occasions when the necessary documentary evidence was not recorded on the system. There were also examples of mail being returned to Council Tax team marked 'gone away', with no forwarding address.

6   RECOMMENDATIONS

One recommendation was identified as a result of the audit this is of low priority. The recommendation is shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of the Supervisor/Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendation should be implemented in accordance with the agreed action plan. Management have set an achievable implementation date and will be required to provide a reason to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement a recommendation it must evaluate and accept the risk associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained.

Each finding is classified as fundamental, material or minor. The definitions of each classification are set out below:-

> **High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;
>
> **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 it if were rectified;
>
> **Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

7   AUDIT OPINION

Based on the findings we can conclude that there are appropriate controls and procedures in place to ensure that all calculations, decisions, actions, payments and refunds are accurately recorded in respect of Council Tax exemptions and discounts.

The recommendation arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. A recommendation 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

Thanks are due to the Council Tax Supervisor, the staff and the System Administrator for their co-operation and assistance during the audit and the preparation of the report and action plan.

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.

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. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this

report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

Internal Audit Report

Community Services

Carefirst

2011

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4	Corporate Governance	1
5	Main Findings	1-2
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7	Audit Opinion	3
8	Acknowledgements	3
Appendix 1	Detailed Findings	
Appendix 2	Action Plan	

1   INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Carefirst, which is a system operated by the Community Services Department. The audit is part of the 2011/2012 Internal Audit programme.

Carefirst is a web based case management system that went live in Argyll & Bute Council, Social Work Department in 2000.   It comprises a comprehensive suite of integrated modules covering the full spectrum of children's and adults service client groups.

2   AUDIT SCOPE AND OBJECTIVES

The specific objective of the audit was to assess and report on whether:

- There were policies and procedures in place to ensure that the information, data and documentation is held securely on Carefirst and can only be accessed by authorised employees.

- That the data input on Carefirst is complete, accurate, input on time and is authorised.

The focus of the Audit was Social Work, Adult Services.

3   RISK ASSESSMENT

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit.   The area identified was:

SR16 Failure to have a robust internal control process and system

4   CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5   MAIN FINDINGS

5.1   Key controls are in place to ensure the security and integrity of Carefirst case management system.

5.2   Access controls are in place and access rights to Carefirst are restricted to specific post descriptions.

5.3 Support for the Carefirst system is provided by a System Administrator and 3 Carefirst Trainers.

5.4 Monthly internal reviews are undertaken on case files by a Resource Worker from Planning & Information and one of the Carefirst trainers. These internal case file reviews provide a robust internal control check on the accuracy of information recorded on case files within Carefirst.

5.5 Through observation of the monthly review process, Internal Audit found that management needs to increase scrutiny on client files and records.

5.6 The Business Continuity Management Policy is held by ICT, and Carefirst is considered to be of high priority in terms of restoring the system in the event of system failure.

6 RECOMMENDATIONS

Four recommendations were identified as a result of the audit, one is a high priority, two are medium priority and one a low priority. The recommendations are shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of the Supervisor/Manager.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

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

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

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 it if were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not

appear to affect the ability of the system to meet its objectives in any significant way.

7   AUDIT OPINION

Based on the findings we can conclude that the CareFirst System controls which are currently operating are effective but additional controls are still required, specifically in relation management of data.

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

Thanks are due to the Planning & Information staff, the Carefirst Trainer and Social Work staff in each of the locations visited for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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.

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. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
2	Internal Audit was advised that the CareDoc module of Carefirst, which allows standard word document templates to be generated, completed and stored in the Carefirst client record, had been purchased. However, it was found that in order to enable this to be implemented it would require a central file capable of storing a large number of word documents linked to client records.	Medium	Customer and Support Services should work with Community Services Social Work to explore options and install the relevant technology that will enable Social Work to implement the CareDoc module of Carefirst.	**Head of Customer and Support Services**	**31st December 2012**
3	On enquiry Internal Audit was advised by staff that not all forms relevant to a Social Workers' tasks were available on Carefirst, AWI Forms were used as an example. It was noted that where Carefirst did not have the relevant form available on the system the Social Worker had to complete the form and save it on computer file. This was then stored on the clients paper file. A note then	Medium	A review should be undertaken of forms in regular use by Social Workers and where they are not available on Carefirst steps should be undertaken to make these available on Carefirst.	**Head of Adult Care**	**31st December 2012**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	had to be made on Carefirst that the appropriate form had been completed and was available in the client's paper file.				
4	The Carefirst Trainers routinely undertake data management exercises this includes the identification of duplicate entries and monthly internal Carefirst client case file reviews are carried out on Social Worker client case files.	High	The current process of internal client case file review and regular exercises for data management should continue.	**Head of Adult Care**	**31st March 2012**

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Internal Audit Report

FINAL

Customer Services

Review of Business Continuity

December 2011

Argyll & Bute Council
Internal Audit Review of Business Continuity

1   INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Business Continuity as part of the 2011 - 12 Internal Audit programme. The review focused initially on the status of business continuity planning (BCP) within the Community Services directorate, but was later extended to cover BCP on a council wide basis.

The key to successful Business Continuity is the drawing up and maintaining of plans (known as departmental recovery plans) which enable the Council to restore the delivery of critical services quickly after events such as a fire or severe weather event disrupts normal services. The Council has a statutory obligation to prepare for service disruption under the Civil Contingencies Act 2004 (the Act)

The Council engaged consultants Glen Abbot in 2008 to develop processes for identifying critical activities and preparing department recovery plans. About 120 activities were identified across the Council where it was considered that the Council needed to restore a service either immediately after disruption, or within varying periods up to 7 days following an event causing a loss of service.

During 2008, over 100 departmental recovery plans were prepared using processes and templates provided by Glen Abbot. Approximately half related to services delivered by the then Community Services Directorate.

2   AUDIT SCOPE AND OBJECTIVES

The initial objective of the review was to ensure that the Community Services Directorate was discharging the duty imposed by the Act, Section 2 to assess the risk of an emergency event occurring, identify the potential consequences of such an event and prepare plans to maintain services following such an event.

Although the review was conducted at the instigation of the Executive Director of Community Services, many of the issues needing to be addressed were found to apply equally to other departments and their services. Following discussions on the initial findings, it was agreed that action should be taken corporately to remedy weaknesses and enhance the processes, and the report was redrafted to reflect the corporate nature of the findings.

It is noted that the Council's responsibilities under the Act are not discharged solely through the medium of departmental recovery plans drawn up by departments and their services, and that some of the duties set out in the Act fall within the remit of the Civil Contingencies function.

3 ROLES AND RESPONSIBILITIES

The responsibility for developing and maintaining processes and procedures for Business Continuity rests with the Executive Director of Customer Services. The directorate is also responsible for monitoring compliance by services with the obligations in the Act with regard to Business Continuity, and this role requires them to establish that departmental recovery plans have been drawn up by services and are being kept up to date.

Individual services are responsible for identifying events likely to fall within S2 of the Act and for preparing and maintaining appropriate departmental recovery plans.

The Council as a corporate body should require reports to be prepared at appropriate intervals to provide confirmation or otherwise that it is complying with the Act.

4 RISK ASSESSMENT

Business continuity does not feature in the revised service risk registers. The new strategic risk register has not yet been published.

An assessment of the risk "The Council does not manage effectively the delivery of services following an event having the consequences described in S1 of the Civil Contingencies Act 2004" would, in the present circumstances, have a likelihood score of 4 (likely) and a consequence score of 4 (major, primarily for reputation), giving an overall score of 16 which is in the red zone. It should be possible to reduce this risk to a score of 3 x 3= 9 which is in the amber zone.

5 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

6 MAIN FINDINGS

There is a process for assessing business continuity requirements which, with some modification, forms a suitable basis for preparing departmental recovery plans.

The plans require to be updated to take account of changes in staff, locations and telecommunications systems since the plans were first drawn up. They also need to be extended to cover schools.

The creation of a single database to hold all departmental recovery plans would be more efficient and effective than the existing process which has resulted in the creation of 110 separate Microsoft Word documents.

7   RECOMMENDATIONS

There are 13 recommendations of which 9 are of high priority and 4 are medium priority. The recommendations are shown in the action plan attached at Appendix 2 which has been compiled with the co-operation and agreement of the appropriate Supervisor / Manager.

In framing the recommendations, references to the Executive Director of Customer Services in the column for the responsible officer relate to his role with regard to the provision of a business continuity framework and monitoring the delivery and maintenance of departmental recovery plans by services. References to the Executive Director of Community Services relate to work required to extend the existing arrangements to cover schools. References to All Executive Directors are made when the work involves the review and updating of existing departmental recovery plans or the creating of new plans to reflect changing circumstances.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

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 high, medium or low. The definitions of each classification is set out below:-

> **High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;
>
> **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 it if were rectified;
>
> **Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

8   AUDIT OPINION

Based on the findings we can conclude that a suitable basis exists for the evaluation of critical activities and the preparation of departmental recovery

plans, but work is required to expand existing plans and bring them up to date, and to extend the exercise to cover schools. Implementation of the 13 recommendations contained in this report should return the level of control to a satisfactory position

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.

9   ACKNOWLEDGEMENTS

Thanks are due to staff in Community Services and Customer Services for their co-operation and assistance during the Audit.

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.

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

No	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Some of the consequences for which councils are expected to plan have been excluded from consideration when the departmental recovery plans were prepared.	High	Consideration should be given to all of the emergency events set out in Section 1(2) (a) – (h) of the Act when preparing departmental recovery plan templates	Head of Governance and Law	31 May 2012
2	A departmental recovery plan has not been created for all the activities deemed to be critical.	High	All activities identified as critical should be the subject of a departmental recovery plan, and a prioritised programme should be drawn up to complete this exercise.	Head of Governance and Law	31 May 2012
3	There is no definition in the Business Continuity Plan of what constitutes a critical activity.	High	There should be a clear definition of what constitutes a critical activity.	Head of Governance and Law	31 May 2012
4	Some plans are incomplete, with key data such as the plan owner or the relocation premises omitted.	High	All plans should have an owner and should identify suitable premises in the event that it becomes necessary to relocate.	Head of Governance and Law	31 May 2012
5	None of the plans have been updated to reflect changes in services, locations, staff and contact information since 2009	High	Guidance to be issued to all Executive Directors that all the existing plans should be reviewed and updated in accordance with the process outlined at Appendix 3	Head of Governance and Law	31 May 2012

No	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
6	It is a requirement that plans are reviewed annually and updated if required.	Medium	Guidance produced to support the update of DRPs should require the owners to certify, at least once a year, that the plans they are responsible for are up to date.	Executive Director of Customer Services	31 May 2012
7	Some plans for services in Kilmory propose relocating elsewhere within the building. This may not be a viable option in all circumstances.	High	Guidance produced to support the update of DRPs should require that where relocation within the same building is the preferred option, plans should identify a second relocation site in the event that the preferred site becomes unavailable in its entirety.	Head of Governance and Law	31 May 2012
8	The business continuity exercise undertaken in 2008 did not cover the potential loss of a school building.	High	An exercise to assess the likelihood and consequences of the loss of a school should be commenced as soon as possible, and suitable plans drawn up to address the continuity implications identified by this exercise	Executive Director of Community Services	Commence by 30 June 2012
9	Some plans may have been developed to address a range of activities of varying criticality and this may not deal adequately with critical elements within the activity.	Medium	Departmental services which provide a range of activities under a single umbrella heading should identify separately the criticality of the various activities and should develop a recovery plan aimed specifically at those activities deemed to be critical.	Head of Governance and Law	31 May 2012

No	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
10	Although most plans relate to the loss of, and reinstatement of, a service, some, such as the loss of a residential home require an immediate and resource intensive response to the loss of the building itself.	High	Where the loss of an activity requires an immediate response and involves substantial resources, departmental recovery plans should be extended to include all the logistical actions necessary in the immediate aftermath of the event	Executive Director of Community Services	30 June 2012
11	Plans are recorded on individual Word documents which are time consuming to update and which do not assist the efficient management of a major incident	High	The revised plans should be incorporated into a single database for use by all Council services	Head of Governance and Law	31 July 2012 Database to be designed and available for input by 31 March 2013
12	Involving communities and partners in the development of the plans would make it easier to engage with them and enlist their support should an emergency arise.	Medium	The Council should review the way it involves external parties in the development of the plans with a view to maximising the contribution they could make in managing emergencies.	Head of Governance and Law	31 May 2012
13	This exercise will involve a number of parties with a wide range of roles and responsibilities. There needs to be some form of oversight to ensure quality and timeliness objectives are met.	Medium	During the initial design and implementation phase, regular reports on progress should be submitted to the SMT.	Executive Director of Customer Services	From 1 April 2012 until SMT decide otherwise

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APPENDIX 3 – Plan Update Process

1. Prepare a set of instructions for plan owners to assist in delivering the actions outlined below.

2. Use representative bodies such as loss control groups to confirm the continued existence of critical services.

3. Identify any new services introduced since 2008, and establish their criticality status.

4. For each departmental recovery plan establish a plan owner. In some cases this will be the person who owned the plan when it was first created. The actions at paragraphs 5 – 12 below are the responsibility of the plan owner.

5. Evaluate the criticality of the service. Where a service is deemed critical, the consequences of failing to resume service delivery within the maximum tolerable period of disruption should be quantified.

6. Review and update the persons named in the plan and their contact details.

7. Review and update the contact details for third parties named in the plan.

8. Where a relocation site has not been identified, a suitable site should be specified. All new and existing relocation sites should be inspected to confirm their availability and suitability in terms of size and available equipment.

9. All battle boxes and emergency grab bags should be inspected to confirm they are in the expected location and that the contents remain appropriate.

10. Where an event requires immediate action (such as the evacuation of a residential home) the plan should be expanded to include all the logistics required to achieve relocation and immediate settlement in the new location.

11. Where a plan assumes relocation within an existing building, an alternative relocation site should also be identified.

12. Plans should be tested in the aggregate to ensure that relocation sites will be able to accept all relocated services in the event of a worst case scenario, and that sufficient equipment is available.

13. A database should be created to hold all plans.

Internal Audit Report

FINAL

Customer Services

Capital Accounting

February 2012

1 INTRODUCTION

This report has been created as the result of an Internal Audit review of the implementation of the Capital Programme Planning and Management Guide (the guide) as part of the 2011/12 Audit Plan.

The guide was developed by the Council's Strategic Asset Management Board (SAMB) and sets out the Council's arrangements for Capital Planning and Management.

2 AUDIT SCOPE AND OBJECTIVES

The specific objective of the review was to assess and report on compliance with the SAMB guide. In order to do this, Internal Audit has reviewed 3 capital projects included in the Capital Plan in 2010/11 to ensure that the process set out in the guide was followed.
.

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. Two risks were identified:

- SR10 Inefficient use of Council Assets; and
- SR11 Failure to meet Capital/Revenue spending targets

4 CORPORATE GOVERNANCE

There were no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

5.1 The projects reviewed by Internal Audit were included in the 2010/11 Capital Programme and as such any Business Cases would have been presented to the SAMB in October 2009. The SAMB had only accepted the terms of reference from the Strategic Management Team (SMT) to fully develop asset management within the Council in June that year. The guide was still in draft form and was not finalised until June 2010.

5.2 The SAMB have continued to develop and refine the asset management process including updating the guide to better address the requirements of the Council. When the 2010/11 Capital Programme was created officers had not been given any training in the new processes Training in business case development has since been provided and further training is available if a need is identified.

5.3 There are strong links between the 3 projects reviewed and the agreed Corporate and Service priorities of the Council.

5.4 The process for the inclusion of the A83 South Muasdale Project as a named and funded Service Development project on the 2010/11 Capital Programme was contrary to what is set out in the guide. Only an Initial business Case (IBC) had been developed when an outline business case is required for such a project to become a named and funded project, on the programme. This is a reflection of the infancy of the guide at the point in time when this project was being considered. In practice, all projects of this nature now have to go through all of the prescribed gateway stages before having any chance of being recommended for inclusion within the capital plan.

5.5 The A83 South Muasdale Project detailed on the 2010/11 Capital Programme with a budget of £600K is materially different to what was detailed in the short version business case scored by the SAMB.

5.6 At the time of the audit there was no representation by Community Services on the SAMB. Internal Audit has since been advised that 3 representatives from Community Services have been identified covering Education, Social Work and Community and Culture for the SAMB and they will attend their first meeting on the 6th March.2012.

6   RECOMMENDATIONS

Two recommendations were identified as a result of the audit. Both the recommendations are of medium priority. The recommendations are shown in the action plan attached at Appendix 2 and have been compiled with the co-operation and agreement of senior management.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and they will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Management if it

decides not to implement recommendations, must evaluate and accept the risks associated with that decision.

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

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

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 it if were rectified;

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

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7 AUDIT OPINION

There are a number of instances where the practice diverges from the guidance given. However, it is recognised that in 2009 when the 2010/11 Capital Programme was being created that the SAMB was in its infancy. Development of the processes had only started in June of that year and the guide was still in draft form. A great deal of progress had been made up to this point but the process still needed further development.

Since this time the process has been developed and refined. The guide has been reviewed since its introduction to effectively tighten up procedures and any project which does not comply with the approved process will be rejected.

Internal Audit has direct audit days set aside within the 2012 – 2013 audit plan to return to monitor on-going development of the SAMB guide and its implementation.

Recommendations arising from the audit work should be implemented by the nominated responsible officer/s 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

Thanks are due to the following for their co-operation and assistance during the Audit and the preparation of the report and action plan

Executive Director, Community Services
Head of Facility Services,
Property Manager, Facility Services,
Performance Manager, Facility Services,
Roads and Amenity Services Manager
Finance Manager, Development Services

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.

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APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The Capital Programme and Management Guide has been updated. The document is located on SharePoint site where access is restricted to key officers involved in capital planning. The document still contains the tracked changes and is not in final format.	Medium	The SAMB must ensure that key documents are available Council Wide and not restricted to the Asset Management SharePoint Site. Arrangements should be made to have this document finalised and placed as a key document on the Council's Hub.	Head of Facility Services	31 May 2012
2	There is a lack of consistency in the way documents are stored on the SharePoint site making it difficult for users unfamiliar with the site to locate documents required.	Medium	If the Share Point site is considered to be the main resource for storing documentation in relation to the SAMB then, in order for it to be effective and be able to be utilised by all officers, a standardised format for storing documentation must be agreed and followed.	Head of Facility Services	31 March 2012

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Internal Audit Report

FINAL

Customer Services

Review of Travel and Subsistence

February 2012

1   INTRODUCTION

It is planned that in 2012 employees of Argyll and Bute Council will be able to submit their Travel and Subsistence Claims through MyView; this will make the process more efficient and streamlined. MyView will have a phased introduction and is a secure web-based portal which directly links to Resourcelink and is a self-service HR and Payroll system.

The introduction of MyView provides the Council and Internal Audit with an opportunity to resolve a number of recurring control issues. Discussions with the Councils Creditor's Section and the Project Leader for MyView were held, this centred on internal audit report recommendation themes. To ensure that our theme list was extant, Internal Audit undertook a quick review of recently submitted authorised Travel and Expense claim forms.

2   AUDIT SCOPE AND OBJECTIVES

The broad objectives of the work undertaken were:

- Prepare a list of audit recommendation themes from past issued reports; and
- Undertake a spot check of authorised claim forms to identify any further issues.

3   RISK ASSESSMENT

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The risk identified was:

SR16: Failure to have a robust internal control process and system.

4   CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5   MAIN FINDINGS

5.1   Customer Support provided a report to Internal Audit showing that the total mileage paid in the current financial year to September 2011, was 2,637,612 miles with just over 1,600 employees submitting claims.

5.2   The introduction of MyView will increase efficiency through a secure web-based portal and will enable the replacement of a largely paper based system.

5.3 During the course of the review of recent authorised claims, Internal Audit found that there is currently no upper limit to the amount staff can claim for a breakfast, lunch or evening meal, provided that receipts are attached and the claim has been authorised by a manager.

6   RECOMMENDATIONS

Seven recommendations were identified as a result of the audit; all are rated as Medium priority. The recommendations are shown in the action plan attached at Appendix 2 and have been compiled with the co-operation and agreement of the appropriate Head of Service.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

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:-

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

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 it if were rectified;

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

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7   AUDIT OPINION

Based on the findings we can conclude that more needs to be done to reduce the level of Travel and Subsistence claims being submitted and more needs to be done to ensure that there is a clear sustainable travel message given throughout the Council.

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

Thanks are due to the Creditors Supervisor and Project Leader (MyView) for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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.

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**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	As part of Argyll & Bute Council's objective of making processes more efficient and streamlined, there will be a phased introduction to 'MyView'. MyView is a secure web-based portal directly linking to Resourcelink and is a self-service HR and Payroll system. It is planned that in 2012 employees will be able to claim their Travel and Subsistence through MyView. The introduction of MyView provides the Council with an opportunity to address many of the highlighted Audit Report issues at a Corporate level.	*Medium*	It is recommended that mandatory fields be introduced to the new online facility.	Head of Customer and Support Services	31st March 2012

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
2	By September 2011 the total mileage claimed is 2,637,612 miles. This figure indicates that there is a possibility that this financial year the total mileage claimed will be in excess of both of the last 2 years. This raises concerns over sustainability.	*Medium*	Managers should be provided a monthly staff travel monitoring report, in order that they can better balance staff travel. Quarterly reports should be given to Executive Directors and their Heads of Service detailing the top 10 mileage claims for each quarter.	Head of Customer and Support Services	31st July 2012
3	The mileage report provided showed that 13 individual staff had travelled over 9,000 miles by September 2011. Management have authorised the incurred travel but need to be aware of sustainability, employee performance and work requirement balance.	*Medium*	Consideration should be given to introducing an online staff travel diary on the Council HUB enabling staff to look for car sharing possibilities. The Head of Service has accepted this recommendation and action has commenced.	Head of Customer and Support Services	Complete

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No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	During the course of the review it was found that a number of staff had submitted claims for evening meals that were well in excess of the £10 agreed limit. One claim amounted to £27.12 another £24.15. There is currently no upper limit to the amount a staff member can claim in terms of evening meal allowance.	*Medium*	Consideration should be given to setting amount limits for meal claims. The Head of Service has accepted the recommendation and action has commenced.	Head of Improvement & HR	Complete
5	Internal Audit is aware that when staff use Pool cars their driving licences are checked by Fleet Management for validity. However, little evidence could be found that checks are being undertaken on staff using their own cars on Council business to ensure that driving licences are valid and appropriate insurance is held by the staff member.	*Medium*	MyView should have an on-line facility that requests Council employees to record that they hold a valid Driving Licence and appropriate Insurance cover for business use. The Head of Service has confirmed that the online facility will be available through MyView.	Head of Customer and Support Services	Complete

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
6	Internal Audit notes that guidance to staff on the Council HUB states that when travelling on Council business the staff member requires to have a valid driving licence and insurance cover allowing business use when using their own car. The guidance also states that checks by nominated officers will be undertaken to ensure that both Driving Licences and Insurance details are current and cover appropriate.	*Medium*	Presently departments should ensure that staff who undertake business travel on behalf of the Council have a valid Driving Licence and appropriate Insurance cover.	Head of Customer and Support Services	30th April 2012
7	With the imminent introduction of MyView, Internal Audit was advised that progress is also being made towards introducing an on-line booking system for Pool Cars.	*Medium*	Progress should be made towards implementing an online booking facility for Pool Cars with pool car availability clearly displayed on the HUB.	Head of Facility Services	31st August 2012

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Internal Audit Report

Final

Development and Infrastructure

Review of Planning Applications

February 2012

Argyll & Bute Council
Internal Audit Review Planning Applications – February 2012

1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Planning Application within Planning and Regulatory Services as part of the 2011/2012 Business Systems, Internal Audit programme.

Details of applications in relation to Development Management and Building Standards are recorded and held on the UNI-Form Database with all documents attached to the Civica Document management system.

2 AUDIT SCOPE AND OBJECTIVES

The main objective of the audit will be to establish that:

- The Planning Application process is in accordance with statute and the Council's Standing Orders and Financial Regulations;

- The application process allows for completeness, adequate segregation of duties and transparency when processing applications; and

- All applications and appeals are appropriate, bona fide and treated consistently

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. The risk identified was:

- SR16 Failure to have a robust internal control process and system.

4 CORPORATE GOVERNANCE

There were no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

5.1 There is a standard process for planning applications with adequate segregation of duties within the Planning Section.

5.2 A formal declaration of interest register should be set up; to ensure transparency and that there is an adequate audit trail..

6 RECOMMENDATIONS

Two recommendations were identified as a result of the audit; one is of medium priority and the other of low priority. The recommendations are shown in the action plan attached at Appendix 2 and has been compiled with the co-operation and agreement of management.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Where management decides not to implement recommendations it must evaluate and accept the risks associated with that decision.

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

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

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 it if were rectified;

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

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7   AUDIT OPINION

Based on the findings we can conclude that there are controls and processes in place to ensure the accuracy of information being input into the UNIFORM system.

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

Thanks are due to the Development Manager, Senior Technical Officer and Senior Support Technician for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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.

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. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2   ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	There is no formal declaration register that can be checked. There is a tick box on the application form that can be used to declare an interest. Testing the process was difficult and limited.	Medium	A formal declaration of interest register should be set up, to ensure transparency and that there is an adequate audit trail. This register should be limited to staff with delegated authority and maintained by the appropriate 3rd Tier Manager.	**Development Manager**	**29 June 2012**

Agenda Item 8

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
16 MARCH 2012

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2011 - 2012

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1. **SUMMARY**

   An interim progress report has been prepared covering the audit work performed by Internal Audit as at 17 February 2012. 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 note the progress made with the Annual Audit Plan for 2011 - 2012.

3. **BACKGROUND**

   3.1 The progress report contained in Appendix 1, lists the audit topics scheduled for the financial year 2011 – 2012, and are ordered by section and level of completion.

   3.2 In reporting progress to planned, audits are deemed to be complete with the issue of a Draft Report. The current progress position is given in the table below:

Audit Plan Sections 2011 - 2012	To Start	Ongoing	Complete	Total
Financial Control Audits	1	5	9	15
Business Systems Audits	0	2	6	8
Corporate Performance Audits	0	0	13	13
Corporate & Service Plans	1	0	8	9
Total	**2**	**7**	**36**	**45**

   3.3 As at 17 February 2012, of15 core financial systems audits set out in the audit plan presented on 4 March 2011, 9 audits have been completed, 5 are ongoing and one remains to be commenced.

   3.4 Regarding the Business Systems audits it can be reported as at 17 February 2012, of 7 business systems audits set out in the annual plan, one has been stopped. The audit stopped was e-Benefits as Customer and Support Services decided to no longer support the system. A replacement audit has been identified for Development and Infrastructure entitled Systems Rationalisation, 10 direct audit days have been assigned with the days transferred from the Corporate Plan allocation. Therefore, there are now 8 business systems audits shown in appendix 1, with 6 completed and 2 presently ongoing.

   3.5 With regard to Corporate Performance Audits, all 13 are complete and were presented to the Strategic Management Team (SMT) on 5 March

2012 for approval.

3.6 A total of 200 direct audit days were planned for Corporate/Service plan audits. It was reported in December 2011 that 8 audits had been identified however the total is now 9. In discussion with management 2 audits proposed for this financial year have been deferred to 2012 – 2013. They are Data Protection (DP) and Procurement. The latter audit was an initial request from management to review the Procurement system. However, the system is being replaced by the Scottish Government eliminating the need for an audit at this time. The DP audit has been deferred until 2012 – 2013, due to election pressures and staff availability. Therefore a replacement audit was identified entitled Corporate Travel and Subsistence with 20 direct audit days allocated.

3.7 In December 2011, it was reported that 25 audit days had been taken from the Corporate Plan allocation to cover an audit review of Dangerous Buildings. A further 30 days have been transferred for the commencement of the 2 new audits reported above.

3.8 A total of 100 direct audit days were set aside in the annual audit plan for Special Investigations / Contingency work. As at 17 February 2012, no days have been expended. A total of 95 days were set aside in the audit plan for Other Areas, as at 17 February 2012, 107 days have been expended of which 37 were for National Fraud Initiative (NFI) work.

4. SUMMARY OF AUDIT ACTIVITIES FOR 2011 - 2012

4.1 It can be reported that Internal Audit is making progress with the Annual Audit Plan. Appendix 1 shows that a total of 740 direct audit days have been expended on planned audits as at 17 February 2012.

4.2 As detailed above despite the adjustments cited above, current progress with the Internal Audit plan is on schedule and in line with the approved annual audit plan outlined to the Audit Committee.

5. CONCLUSION

Internal audit is progressing with the audits planned for 2011 – 2012. The Audit Committee will continue to receive quarterly progress reports.

6. IMPLICATIONS

6.1 Policy: Update on audit plan for 2011 – 2012.

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, Chief Internal Auditor (01546 604216)
17 February 2012.

APPENDIX 1

Assessment of audit days: 2011-2012 strategic plan

AUDIT WORK SCHEDULE AS AT 17 February 2012	Last audited	Risk ranking	Original Estimated Audit Days 2011-12	Revised Estimated Audit Days 2011-12	Actual Audit Days 2011-12	Balance
FINANCIAL CONTROL AUDITS						
Complete						
Cash Income and Banking	2010	1	20	20	19	1
Creditor Payments and Purchasing	2011	1	20	20	18	2
Stock Taking / Work in Progress	2010	2	20	20	16	4
Car Allowances and Subsistence	2011	2	20	20	17	3
Government & European Grants	2010	1	25	25	25	0
Payroll	2010	1	25	25	19	6
Debtor Accounts - Direct Payments	2011	1	20	20	18	2
Council Tax and Non-Domestic Rates	2010	1	25	25	25	0
Capital Accounting	2010	1	25	25	25	0
Started						
Treasury Management	2010	1	20	20	2	18
Contract Operating Leases	2010	2	20	20	2	18
Budgetary Preparation and Control	2011	1	25	25	5	20
General ledger operations	2011	1	20	20	5	15
Capital Contracts	2010	1	25	25	1	24
Not Started						
Tendering Procedures	2010	1	20	20	0	20
Section Total			330	330	197	133
BUSINESS SYSTEMS AUDITS						
Complete						
Leisure Management System	2010	3	20	20	18	2
Pyramid Performance Management	2011	2	25	25	24	1
Fleet Management	2010	3	20	20	20	0
Care First	2010	3	20	20	19	1
e-Benefits	2011	4	10	10	1	9
Planning/Building Standards	2010	3	20	20	12	8
Started						
Resource Link	2010	3	20	20	5	16
D & I ICT Systems Rationalisation	2011	2	0	10	1	9
Section Total			135	145	99	46

APPENDIX 1

CORPORATE PERFORMANCE AUDITS

Completed

	Year					
Statutory Performance Indicators (SPIs)	2010	1	20	20	20	0
Public Service Improvement Framework (PSIF)	2010	1	20	20	19	2
Efficiency	2010	1	20	20	20	0
Governance and Accountability	2010	1	20	20	20	0
Financial Management	2010	1	20	20	20	0
Procurement	2010	1	20	20	19	1
People Management	2010	1	20	20	20	0
Risk Management	2010	1	20	20	18	2
Information Management	2010	2	10	10	10	0
Performance Management	2010	1	20	20	17	3
Community & Customer Engagement	2010	2	10	10	9	1
Asset Management	2010	1	20	20	16	4
Equality & Sustainability	2010	3	5	5	6	-1
Section Total			**225**	**225**	**213**	**12**

CORPORATE/SERVICE PLANS

Complete

	Year					
Development & Infrastructure - Fishing Dues/ Ports and Harbours Income	2010	1	25	25	24	1
Customer Services - Gov.Statement	2010	1	10	10	10	0
Chief Executive's Unit - Procurement	2010	1	15	15	15	0
Community Services - Business Continuity	2010	1	25	25	25	0
Development & Infrastructure - Dangerous Buildings	-	1	0	25	24	1
Chief Executive's Unit - Travel & Subsistence	-	1	0	20	18	2
Customer Services - DPA	2010	1	15	15	3	12
Chief Executive's Unit - Health & Safety	2010	1	10	10	4	6

Not Started

	Year					
Corporate Plan	-	1	100	45	0	45
Section Total			**200**	**190**	**123**	**67**

Actual Direct Audit Time			**890**	**890**	**633**	**257**

Special investigations contingency			100	100	0	100
Section Total			**100**	**100**	**0**	**100**

Other Areas

	Year					
Follow-up External & Internal Audit Management Letter Points	2010		52	52	55	-3
NFI	2010		25	25	37	-12
Risk Assessment, Strategic Plan, Annual Plans	2010		18	18	15	3
Section Total			**95**	**95**	**107**	**-12**

TOTAL			**1085**	**1085**	**740**	**345**

Agenda Item 9

ARGYLL & BUTE COUNCIL   **AUDIT COMMITTEE**
STRATEGIC FINANCE   **16 MARCH 2012**

EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2011 – 2012.

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1. **SUMMARY**

    Internal Audit document the progress made by departmental management in
    implementing the recommendations made by both External Audit and Internal
    Audit. Set out below are the results from a review performed by Internal Audit for
    recommendations due to be implemented by 31January 2012.

2. **RECOMMENDATIONS**

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

3. **DETAILS**

    3.1   The process requires departmental Executive Directors assigning a 3rd tier
          officer to act as the sole contact for the follow up of both external and
          internal recommendations. The contact role involves updating both the
          Executive Directors and internal audit on progress with agreed department
          recommendation implementation.

    3.2   Appendix 1 is a statistical summary of all agreed recommendations arising
          from both external and internal audit reports by department. Detailed is the
          number of recommendations due as at 31 January 2012, the number
          implemented, the number of agreed future recommendations and their
          status, i.e. on course etc.

    3.3   Appendix 2 provides a summary of all outstanding recommendations from
          both external and internal audit reports by department and service.
          Detailed is the report name along with the weakness identified, agreed
          management action, revised date, any previous missed implementation
          dates reported to the Audit Committee, management comment and
          Pyramid status.

    3.4   Appendix 3 provides a summary of all recommendations from both external
          and internal audit reports by department and service that are due after 31
          January and not on track to achieve the agreed implementation dates.
          Detailed is the report name along with the weakness identified, agreed
          management action, revised date, any previous missed implementation
          dates reported to the Audit Committee, management comment and
          Pyramid status.

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 Ian Nisbet of Internal Audit on (01546 604216)

15februaryfinalreport

APPENDIX 1

SERVICE SUMMARIES

RECOMMENDATIONS DUE 01 NOVEMBER 2011 to 31 JANUARY 2012

SERVICE	Complete	Total
COMMUNITY & CULTURE	2	2
CUSTOMER & SUPPORT SERVICES	2	2
ECONOMIC DEVELOPMENT	4	4
EXECUTIVE DIRECTOR COMMUNITY SERVICES	6	6
FACILITY SERVICES	2	2
IMPROVEMENT & HR	4	4
ROADS & AMENITY SERVICES	1	1
TOTALS	**21**	**21**

RECOMMENDATIONS DUE AFTER 31 JANUARY 2012

SERVICE	Complete	On Course	Delayed but rescheduled	Total
ADULT CARE		6		6
COMMUNITY & CULTURE	1	1		2
CUSTOMER & SUPPORT SERVICES		3		3
ECONOMIC DEVELOPMENT		6	2	8
FACILITY SERVICES		4		4
IMPROVEMENT & HR		3		3
STRATEGIC FINANCE		4		4
TOTALS	**1**	**27**	**2**	**30**

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APPENDIX 2

Recommendations Overdue 01 November - 31 January 2012

ACTION PLAN NO:	WEAKNESSES IDENTIFIED: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:

IS NULL

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APPENDIX 3

Recommendations Due After 31 January 2012

ACTION PLAN NO:	WEAKNESSES IDENTIFIED: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:

DEPARTMENT   DEVELOPMENT & INFRASTRUCTURE SERVICES
SERVICE   ECONOMIC DEVELOPMENT
REPORT NAME   REVIEW OF FISH LANDING DUES AND OTHER HARBOUR INCOME

ACTION PLAN NO:	WEAKNESSES IDENTIFIED: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
1	The legal enforceability of debts arising would be better substantiated if the schedule of rates and dues was more readily available to marine customers. **HIGH**	1.1 Consideration should be given to displaying laminated copies of the schedule of rates and dues at all piers, harbours and ferry slips where charges are to be levied.	31 March 2012 **30 April 2012**	New schedule and corresponding communications completed by 30 April 2012	**Delayed but rescheduled** Operations Manager Marine & Airports
5	With the role of Area Manager having been abolished there is no regular interaction between the Administration function and the Harbourmasters. In addition, there is no clear audit trail to demonstrate that data notified to Administration does result in an invoice being raised, or indeed that all additional invoices have been raised by the harbourmasters for berthing or landing fees due to the Council. **MEDIUM**	5.1 Consideration should be given to implementing a register of berthing at each port which would record if an invoice has been issued and paid locally or if data has been supplied to Administration for them to raise an invoice. Data supplied to Administration should be supplied on pre-numbered forms so that a check can be carried out that all data has been received and there can be no potential revenue loss to the Council.	31 July 2012 **30 November 2012**	A meeting between the Marine Manager, Performance and Business Manager and Internal Audit Manager took place on 30 January 2012. As a result, it was deemed appropriate that this recommendation forms part of a wider project of marine income maximisation and one which warrants the development of a business case to address appropriate systems of berthing registration, including addressing the matter of un-manned landing slips.	**Delayed but rescheduled** Harbour Master/Administration Officer

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ARGYLL & BUTE COUNCIL	AUDIT COMMITTEE
STRATEGIC FINANCE	16 MARCH 2012

ANNUAL AUDIT PLAN 2012/13 - DRAFT

1. SUMMARY

This report introduces the draft Annual Audit Plan for 2012/13.

2. RECOMMENDATIONS

2.1 The draft Annual Audit Plan is approved.

3. DETAILS

3.1 The draft Annual Audit Plan in Appendix 1, outlines the audits and direct audit day apportionment for the financial year 2012/13.

3.2 The audits set out in the audit plan have been prepared from an internal audit database that gathers data from both external and internal sources and analysis it under 4 main areas: financial materiality, risk, controls effectiveness and performance management.

3.3 The database allows the audit plan to be prepared recognising the challenges facing the Council within an analytical structure. The collected data for the audit plan after initial analysis were then assigned to one of 5 audit areas: Financial Control Audits, Business Systems, Corporate Performance, and Corporate Plan/Team Plans. The report also has a final section entitled Contingency. This covers direct audit days for Special Investigations, Follow up and National Fraud Initiative (NFI) audit work.

3.4 Meetings were arranged with Heads of Service to discuss the database output for their responsibility areas, and their thoughts obtained. Thereafter the draft audit plan was prepared and presented to Departmental Management Teams (DMTs) and the Strategic Management Team (SMT) on 5 March 2012, for their consideration and approval.

3.5 In addition to the audit plan, Appendix 2 provides a reference document for Executive Directors and Heads of Service as to the likely focus of internal audit work over the coming financial year.

4. CONCLUSION

Internal Audit in preparing the audit plan, undertook an exercise to determine the audits that will enable Internal Audit over the next financial year to provide an assurance statement on the Council's overall internal control framework. The annual audit plan will be progressed by Internal Audit.

5. IMPLICATIONS

5.1 Policy: None

5.2 Financial: None

5.3   Personnel: None

5.4   Legal: None

5.5   Equal Opportunities: None

For further information please contact Ian Nisbet, Chief Internal Auditor (01546 604216)

INTERNAL AUDIT
DRAFT
ANNUAL AUDIT PLAN
2012 - 2013
27 February 2012

Contents

1. Annual Audit Plan 2012 – 13

The Annual Audit Plan covering the financial years 2012 – 13 has been compiled using a wider base of primary data than previous plans. The current environment in which the Council operates provides a wide range of challenges and opportunities. It is therefore important that the annual audit plan takes cognisance of this environment.

A comprehensive database has been compiled to ensure that audits and resources are effectively planned and controlled. Issues from the database have been individually discussed with Heads of Service resulting in minimal adjustment. The database is a management tool, which meets the following objectives:

- It provides a clear view of the broad issues faced by council;
- It provides a base from which to assess the level of risk facing the Council and the deployment of internal audit resources;
- The authority to act once the audit plan is approved by the Audit Committee; and
- A permanent record of all factors considered.

2. Internal Audit Responsibilities

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

Section 95 Officer/Head of Strategic Finance

Internal Audit has a responsibility to the Section 95 Officer, reporting on the effectiveness of the system of internal control operated within the Council.

Chief Executive

Internal Audit has a dotted line responsibility to the Chief Executive, and holds regular monthly meetings to discuss the progress of the annual audit plan, reports issued and any areas of concern.

Audit Chairman

Internal Audit has a dotted line responsibility to the Audit Chairman, and discusses on a regular basis the progress of the annual audit plan and report issues.

Audit Committee

Internal Audit has a responsibility to report on the progress of the audit programme in terms of planned time against actual time, provide extract summary audit reports plus action plans from finalised audits. Another key task is to keep the Audit Committee aware of progress regarding implementation by management of agreed recommendations. This is done through maintaining the internal audit database and evidence gathering. Regular monthly reporting is undertaken by internal audit to Departmental Management Teams (DMTs) and the Strategic Management Team (SMT) with a quarterly progress reporting to the Audit Committee. At the culmination of each year's audit work an annual report is prepared by Internal Audit and presented to the Audit Committee along with the Statement of Governance and Control.

External Audit

Internal Audit has a responsibility to co-ordinate its activities with external audit. Grant Thornton is no longer the Councils external auditor with that duty being transferred to Audit Scotland. The relationship operated by Internal Audit with the Council's external auditor, is one of joint working. Regular consultations are held on an informal basis to co-ordinate work and where appropriate develop audit programmes and methodology.

3   Gaining Assurance

The annual 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. 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 corporate objectives and core values are being addressed.

The annual audit plan takes account of the Internal Audit Mission Statement and Terms of Reference both of which have previously been approved by the Audit Committee.

Audit Plan Analysis

The database used for the Annual Audit Plan 2012 – 2013 identifies and ranks audits using 4 broad headings:

- Materiality – an assessment of financial data;

- Risk - operational and strategic risk registers, the risk associated with a particular activity due to its very nature, and the level of sensitivity attached to a possible breakdown in the effective operation of that system;

- Control Effectiveness - an assessment based on external and internal audit report agreed recommendations, corporate governance and other external and internal inspection reports regarding the degree of control management currently has over the inherent risks; and

- Performance Management – an assessment based on corporate and service plans and improvement plans.

In addition any changes that have taken place over 2011 – 2012 both internally and externally have been reflected in the database and thereby the annual audit plan. The data collected in the database uses a methodology. Using a methodology provides equity for the collected data with a weighting added to all 4 headings, Materiality has been given a weighting of 6, Risk a weighting of 3, Control Effectiveness a weighting of 2 and Performance Management a weighting of one. Each of the 4 headings has a maximum weighted total of 30 and a cumulative total of 120 which when divided by 1.2 provide a final percentage figure out of 100. All scores from this exercise are set out using the following audit groupings:

- Financial and Control audits;
- Business systems;
- Corporate Performance; and
- Corporate/Service plans.

The scores and audit day allocation are provided from page 8 to 14. An example of how the new comprehensive audit planning approach works is shown in respect of Budget Preparation and Control, which received the following scores from the database process. Materiality score of 30, based on the financial value of budgets. A Risk ranking of 15, based on the review of both the Operational and Strategic Registers. A Control Effectiveness ranking score of 2 based on both external and internal audit assessment requirements. A Performance Management score of 9, reflecting its importance both externally and internally to the achievement of performance. These 4 scores total to 56 out of 120 with a total percentage score of 47.

Within the 4 groupings, audit topic final scores are ranked highest to lowest and allocated a 'total risk ranking' score. The scores are then further ranked from 1 to 4, the highest risk scores are ranked 1 reducing to 4. Where an audit has a ranking of 1 a total of 20 direct audit days are assigned to that audit. A risk ranking of 2 receives 15 days, a ranking of 3 gets 10 audit days with a ranking of 4 receiving 5 audit days.

The audit analysis scores for the Financial Control Audits for 2012 – 2013, are provided on page 8. On page 9 the assigned risk ranking is provided and direct audit days assigned relational to the risk ranking obtained for each financial control system. This approach is used for both Business Systems and Corporate Performance.

This follows a detailed data analysis and discussion of audit topics with Heads of Service prior to an audit commencing. A summary of the allocation of days for the Financial Control, Business Systems and Corporate Performance is provided from pages 8 to 13. An allocation of 180 direct audit days has been provided within the plan for Corporate/Service Plans. The allocation of audit days and methodology used is set out on page 14. Adding the allocated audit days totals together for the 4 areas; Financial Control Audits, Business Systems, Corporate Performance and Corporate/Service Plans provide a total of 740 direct audits days. A further 169 days are set aside within the plan for Contingency Days. The details for which are set on page 15.

Table 3.1 – Calculation of Audit Risk Financial & Control Audits 2012 – 13

FINANCIAL CONTROL AUDITS	Materiality factors	Risk	Control rating	Performance Management	Total audit risk score	Database Final risk score	Ranking
(Weightings applied)	(x6)	(x3)	(x2)	(x1)	(Total Risk Total 120)	(120/1.2 =100)	-
Budgetary Preparation and Control	30	15	2	9	56	47	1
Government & European Grants	30	9	10	3	52	44	1
Council Tax	30	9	2	7	48	40	1
Procurement	30	0	10	0	40	33	2
Cash & Income Banking	30	0	10	0	40	33	2
Non Domestic Rates	30	9	0	0	39	33	2
Capital Contracts	30	0	8	0	38	32	2
Capital Accounting	30	0	8	0	38	32	2
Payroll	30	0	6	2	38	31	2
Debtor Accounts	30	0	6	2	38	31	2
Tendering Procedures	30	0	6	0	36	30	2
Unified Benefit System	30	0	4	2	36	30	2
Creditor Payments	30	0	4	1	35	29	3
Car Allowances & Subsistence	24	0	10	0	34	28	3
Stock and Work in Progress	24	0	10	0	34	28	3
Treasury Management	24	0	8	2	34	28	3
Contract Operating Leases	24	0	10	0	34	28	3
General ledger operations	24	0	10	0	34	28	3

Weightings Applied:

1. Materiality ranking = 6
2. Risk ranking = 3
3. Control effectiveness ranking = 2
4. Performance Management = 1

Table 3.2 – Internal Audit Plan Financial & Control Audits 2012 – 13

FINANCIAL CONTROL AUDITS	Risk ranking	Last audited	2012-13
Budgetary Preparation and Control	1	2011	20
Government & European Grants	1	2010	20
Council Tax	1	2010	20
Procurement	2	2010	15
Cash & Income Banking	2	2010	15
Non Domestic Rates	2	2010	15
Capital Contracts	2	2011	15
Capital Accounting	2	2010	15
Payroll	2	2011	15
Debtor Accounts	2	2010	15
Tendering Procedures	2	2011	15
Unified Benefit System	2	2010	15
Creditor Payments	3	2010	10
Car Allowances & Subsistence	3	2011	10
Stock and Work in Progress	3	2010	10
Treasury Management	3	2012	10
Contract Operating Leases	3	2012	10
General ledger operations	3	2012	10
			255

Table 3.3 – Calculation of Audit Risk Business Systems Audits 2012 – 13

BUSINESS SYSTEMS	Materiality factors	Risk	Control rating	Performance Management	Total audit risk score	Database Final risk score	Ranking
(Weightings applied)	(x6)	(x3)	(x2)	(x1)	(Total Risk Total 120)	(120/1.2 =100)	-
Resource Link	30	9	0	3	42	35	2
Planning/Building Standards	24	9	0	3	36	30	2
Care First	24	9	0	3	36	30	2
Roads Costing System	24	9	0	0	33	28	3
eProcurement	24	9	0	0	33	28	3
Environmental Health	24	9	0	0	33	28	3
Fleet Management	18	9	0	3	30	25	3
Customer Service Centre	18	9	2	1	30	25	3
Comino	18	9	0	3	30	25	3
Leisure Management System	12	9	6	3	30	25	3
Pyramid Performance Management	6	9	6	1	22	18	4
Electronic Timesheets	6	9	0	0	15	13	4
IKEN Case Management	6	9	0	0	15	13	4
Library Management System	6	9	0	0	15	13	4
Licensing	6	9	0	0	15	13	4

Weightings Applied:

1.	Materiality ranking = 6
2.	Risk ranking = 3
3.	Control effectiveness ranking = 2
4.	Performance Management = 1

Table 3.4 – Internal Audit Plan Business Systems Audits 2012 – 13

BUSINESS SYSTEMS	Risk ranking	Last audited	2012-13
Resource Link	2	2011	15
Planning/Building Standards	2	2010	15
Care First	2	2010	15
Roads Costing System	3	2010	10
eProcurement	3	2010	10
Environmental Health	3	2011	10
Fleet Management	3	2010	10
Customer Service Centre	3	2010	10
Comino	3	2011	10
Leisure Management System	3	2010	10
Pyramid Performance Management	4	2011	5
Electronic Timesheets	4	2010	5
IKEN Case Management	4	2010	5
Library Management System	4	2011	5
Licensing	4	-	5
Sub total			**140**

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Table 3.5 – Calculation of Audit Risk Corporate Performance 2012 – 2013

CORPORATE PERFORMANCE	Materiality factors	Risk	Control rating	Performance Management	Total audit risk score	Database Final risk score	Risk Ranking
(Weightings applied)	(x6)	(x3)	(x2)	(x1)	(Total Risk Total 120)	(120/1.2 =100)	-
Asset Management Partnerships	30	9	18	8	65	54	1
Financial Management	30	0	10	9	49	41	1
Procurement	30	0	10	9	49	40	1
People Management	30	9	6	2	47	39	2
Governance and Accountability	0	15	20	3	38	32	2
Risk Management	0	9	20	3	32	27	3
Sustainability	0	0	24	8	32	26	3
Equality	0	0	18	7	25	21	4
Performance Management	6	0	6	12	24	20	4
Efficiency	0	0	16	7	23	19	4
Public Performance Reporting	0	0	10	12	22	18	4
Partnerships	0	0	10	9	19	16	4
Information Management	6	0	10	3	19	16	4
Community & Customer Engagement	0	0	6	11	17	14	4
Customer Focus	0	0	12	5	17	14	4
Statutory Performance Indicators	0	0	10	0	10	8	4

Weightings Applied:

1. Materiality ranking = 6
2. Risk ranking = 3
3. Control effectiveness ranking = 2
4. Performance Management = 1

Table 3.6 – Internal Audit Plan Corporate Performance 2012 – 2013

CORPORATE PERFORMANCE	Risk ranking	Last audited	2012-13
Asset Management Partnerships	1	2011	20
Procurement	1	2010	20
Information Management	2	2011	15
Governance and Accountability	2	2010	15
Statutory Performance Indicators	2	2011	15
Financial Management	2	2010	15
People Management	3	2010	10
Risk Management	3	2010	10
Sustainability	3	2010	10
Equality	4	2010	5
Performance Management	4	2010-	5
Efficiency	4	2010	5
Public Performance Reporting	4	2011	5
Partnerships	4	2012	5
Community & Customer Engagement	4	2011	5
Customer Focus	4	2011	5
Sub total	-	-	**165**

Weightings Applied:

1. Materiality ranking = 6
2. Risk ranking = 3
3. Control effectiveness ranking = 2
4. Performance Management = 1

Table 3.7 – Calculation of Audit Risk Corporate/Service Plans Audits 2012 – 13

CORPORATE PLAN - ANALYSIS	Materiality factors	Risk	Control rating	Performance Management	Total audit risk score	Database Final risk score	Ranking
(Weightings applied)	(x6)	(x3)	(x2)	(x1)	(Total Risk Total 120)	(120/1.2 =100)	-
Corporate Plan – 4 main themes	0	51	110	72	233	194	1
SERVICE PLAN - ANALYSIS	**Materiality factors**	**Risk**	**Control rating**	**Performance Management**	**Total audit risk score**	**Database Final risk score**	**Ranking**
Community Services – 11 High level risk scores	294	156	22	119	591	493	1
Development & Infrastructure – 10 High level risk scores	204	153	20	176	553	461	1
Customer Services – 4 High level risk scores	90	72	24	38	224	186	1
Chief Executives Unit – 2 High level risk scores	48	24	16	14	102	85	1

Table 3.8 – Internal Audit Plan Corporate & Service Plan Audits 2012 – 13

CORPORATE PLAN	Risk ranking	Last Audited	2012-13
Corporate Plan	1	2011	**80**
CORPORATE & SERVICE PLANS	**Risk ranking**	**Last Audited**	**2012-13**
Community Services	1	2011	**40**
Development & Infrastructure	1	2011	**35**
Customer Services	1	2011	**15**
Chief Executives Unit	1	2010	**10**
Sub total			**100**

SUMMARY of DIRECT AUDIT DAY ALLOCATION	2012-13
FINANCIAL & CONTROL AUDITS	**255**
BUSINESS SYSTEMS	**140**
CORPORATE PERFORMANCE	**165**
CORPORATE PLAN	**80**
SERVICE PLANS	**100**
TOTAL	**740**

4. Contingency Days 2012 – 2013

Audit days have been included within the annual audit plan for contingency.

Special Investigations - This is audit time for unforeseen events which, by their nature, cannot be planned for, e.g.:

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

Clearly, the extent to which any audit day requirement for Special Investigations will arise depends on the soundness of the Council's systems of control and the incidence of fraud or irregularity. In 2011 – 2012 out of the 100 direct audit days allocated none were expended. I have therefore reduced direct audit allocation to 50. This also compliments the CIPFA Benchmarking average set by comparable authorities of 48 days.

Internal Audit reports on a monthly basis to both the Departmental Management Teams (DMTs) and Strategic Management Team (SMT) and on a quarterly basis to the Audit Committee, detailing management progress in implementing agreed audit report recommendations in 2012 – 2013 more days than in 2011 – 2012 have been allocated to this task in recognition of the amount of data management work required to maintain the Internal Audit Database and other statistics. The National Fraud Initiative (NFI) is now a statutory requirement and an annual exercise. Good progress has been made in 2011 – 2012 in order to maintain this progress additional days have been provided for this task. In 2011 – 2012 direct audit days were allocated for Strategic Audit Planning, in 2012 – 2013 these days are included under Internal Audit Management.

Table 4 – Assessment of Audit Days: 2012 - 2013

Contingency days	2012-13
Special investigations contingency	50
Follow-up external & internal audit management letter points	80
National Fraud Initiative (NFI) Exercise	39
Sub Total	**169**

If the level of direct audit day input alters in any of the areas detailed above throughout 2012 – 2013 an adjustment will be made and the Audit Committee informed.

5.   Internal Audit Resource 2012 – 2013

Tables 5.1 and 5.2 in Appendix 1 set out the resources and number of days available for 2012 - 2013. There are 3 elements to the tables:

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

In arriving at the number of working days available for 2012 - 2013 deductions for annual leave and a potential sickness provision a total of 1,083 working days are available for direct and non-direct audit work.

The non-direct audit day allocation covers tasks such as management; provision of advice and information and continuing professional development (CPD). Cognisance has also been taken of the fact that one member of staff will be involved in professional training. As a result the total day's allocated to non-direct audit for 2012 – 2013 is estimated to be 174 as set out in Table 5.1.

Table 5.2 provides the direct audit days for audits. The audit days assigned to the audit areas includes time for Planning, Fieldwork, Report Writing and Management Review. In addition, a number of days have been included for special investigations; follow up reporting of recommendation implementation progress, the national fraud initiative annual exercise and audit planning see Section 5 above. The total number of days allocated to direct audits for 2012 - 2013 is 909 and represents 84% of total working days available.

Table 5.1 – Internal Audit Resources 2012 - 2013

		Chief Internal Auditor	Accountant	Accountant	Senior Audit Assistant	Trainee Accountant	Total
Number of Days in full year		261	261	261	261	261	**1, 305**
Less:	Public Holidays	10	10	10	10	10	50
	Annual Leave	31	31	31	31	23	147
	Sickness Provision	5	5	5	5	5	25
Working Days Available		215	215	215	215	223	**1,083**
Non-Direct Audit Work							
	IA Management	60	-	-	-	-	60
	Planning and Reporting	20	-	-	-	-	20
	Training, Development &	10	6	6	6	30	58
	Audit Internal Meetings	12	6	6	6	6	36
Total for Non-Direct Audit Support Work		104	12	12	12	36	**174**
Time Available for Direct Audit Work		113	203	203	203	187	**909**

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Table 5.2 – Internal Audit Resource Days 2012 - 2013

DIRECT AUDIT DAYS	2012 - 2013
Direct Audit Work	-
Core Financial Audits	255
Business Systems	140
Corporate Performance	165
Corporate Plan	80
Service Plans	100
Sub Total	740
Contingency	-
Special Investigations	50
Follow Up Reviews	80
NFI Exercise	39
Sub Total	169
Total Direct Audit Days	909

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FINANCIAL SYSTEMS AUDITS

Budgetary Preparation and Control - Overview

The Council is facing challenging financial conditions whilst maintaining current and in many cases increased demand for services. It is therefore important for the Council to have strong financial management systems and budgetary preparation and control is a key management function in planning, cost control and gaining efficiency. Also, Members need good quality financial information to make informed decisions about which services to provide and at what level. Internal Audit's task in this time of re-organisation and resource change is to provide management with the assurance that the financial controls they depend on are robust and operating effectively. Internal audit plans to review the following areas of Budgetary Preparation and Control over the next year.

Internal Audit - Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, the annual budget cycle to ensure that it is working effectively and that satisfactory control exists. Further areas that could be reviewed include; assessing whether budgets are promptly prepared; any subsequent amendments are referred to, approved and accurately recorded on the Financial Information System; the review of budgetary control responsibilities to ensure that they are clearly defined; gaining assurance that a financial risk management process is in place to determine the level of reserves.

Government & European Grants - Overview

Government and European Grants are a key source of funding for the Council and in turn it is responsible for ensuring that there are appropriate financial controls and governance arrangements in place for the management of grants. It is important that the Council ensures that all Grants are identified and that applications are reviewed in accordance with government guidance to meet grant requirements.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are the review of Government and European Grants to ensure that grant funding is planned, applied in line with grant requirements, monitored and controlled by management.

Council Tax & Non-Domestic Rates - Overview

Council Tax and Non-Domestic Rates are a key source or income for the Council. Internal Audit will review Council Tax and Non-Domestic Rates and in particular the specific objectives set will ensure that Liability, Billing, Collection, Refunds, Recovery and Enforcement Regulations, are up-to-date and adhered to.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, ensuring that all calculations, decisions, actions, payments & refunds are valid, controlled and accurately recorded on both systems.

Capital Contracts - Overview

Investing in the Councils infrastructure is essential to providing high quality public services. Management needs assurance that there are robust governance arrangements in place surrounding capital contracts with effective project monitoring processes in place.

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Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, reviewing capital contracts in order to give assurance that the procurement regulations and appraisal process are being followed; that officer roles and responsibilities are clearly defined for each capital project and that capital contracts are fully authorised, risk assessed, sustainable, planned and costed.

Payroll - Overview

Payroll is one of the key Council financial systems enabling staff to receive payment with the appropriate deductions from salaries as required by the government and pension funds. Timetables have been established between Payroll and departments which is adhered and if not, reasons sought and corrective action taken. Effective procedures and controls are in place to ensure that staff receives the correct rate of pay, pension and tax deduction are accurate, and appropriate information management controls are in place to safeguard the staff and the Council.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, is ensuring that all payroll input is authorised and checked by departments, that payroll data is valid, correct, complete and in accordance with financial regulations and operational procedures.

Capital Accounting - Overview

The Prudential Code requires councils to consider the short and medium term affordability and the long term sustainability of their capital investment. It is therefore important to ensure that we have robust policies in place covering Capital Accounting, the Asset Register and Valuations.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are that procedures ensure that the capital expenditure programme is regularly reviewed and reported; and that the Fixed Asset Register is reconciled to the Financial Ledger as part of the year-end closedown procedure.

Debtor Accounts – Scope and Objectives

The Sundry Debtors system manages a variety of income in the Council. The system allows the raising, management and recovery of all types of debt whether one-off or recurring (periodic). Varying criteria can be applied to different types of income In order to ensure that all payments due to the Council are received promptly.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, a review of the Debtors processes to confirm that there are written Debtor procedures and there is a list of authorised users with responsibilities as defined within the Financial & Security Regulations; ensure that all calculations, decisions, actions, payments & refunds are valid, controlled and accurately recorded through sample testing.

Treasury Management - Overview

Prudent investment of cash balances which are not needed immediately, gives the Council an additional source of income. Internal audit covers Treasury Management, Borrowing, Lending and Investment Policy, strategy and procedures operated to ensure they are appropriate, adhered to and compliant with the Prudential Code.

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Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, reviewing whether the service is operated by properly trained staffed, is risk assessed, whether cash flow statements are maintained and transactions accurately recorded.   Internal audit could also look at whether external service providers are appointed in accordance with the Council procurement manual and written agreements are in place.

Creditor Payments and Purchasing

In testing controls and procedures internal audit is required to test systems controls and examine supporting documentation. With the increase in transaction volume arising from computerised records, internal audit is not able to properly provide assurance without using a proven software assurance tool for analysis.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are IDEA data analysis software to review creditor and purchasing data for duplicate payments, missing invoices, tax compliance and over payments. By performing simple to construct exception testing Internal Audit will be able to spot internal control weaknesses and provide recommendations for improvements.

Cash Income and Banking - Overview

Cash, Income and Banking occurs in all departments to a larger or less extent. Internal Audit will review the new bank reconciliation process that was introduced during the last financial year.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether cash/income receipt and banking responsibilities are compliant with the Council's Financial & Security Regulations. Internal Audit will also review the processes operated to ensure that transactions are promptly and accurately recorded on the financial system with reconciliations undertaken, discrepancies recorded and explanations obtained.

General Ledger Operations - Overview

General Ledger Operations are a key function within the Council and it is particularly important that all transactions are recorded accurately within agreed timescales in order that the Council is able to produce accurate financial information to assist with the decision making process. During the course of 2011 - 2012 an Oracle Purchasing module will be introduced.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether transactions including journals and feeders are promptly and accurately coded and balances reviewed in line with set timetables. Internal audit may also look at whether the Final Accounts and data returns for Whole of Government Accounts are accurately prepared and submitted by due dates. Adherence to Accounting Standards, Financial Regulations, policy and procedures may also be tested.

Tendering Procedures - Overview

The Council is under great financial pressure and it will be very challenging to maintain the current levels of public services and meet new demands when resources are tight. More

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emphasis is being placed on the need to do more to demonstrate cost effectiveness, efficiency and competitiveness across the services. It is particularly important that the Council secures value for money when purchasing goods and services.   Tendering procedures form a key role in the purchasing process.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether departmental services are following the recognised tendering process, establish whether tendering regulations and procedures are adequately detailed in the Procurement Manual and being followed in such areas as roles, duties, authorisations and responsibilities.   Internal Audit may also look at whether the regulations are followed in terms of advertising, invitation, receipt, opening, evaluation; selection process is obtaining value for money.

Contract Operating Leases - Overview

There are a number of issues arising from the introduction of International Accounting Standard (IAS) one of which is IAS 17: Leases. The Council needs to have a detailed plan in place to ensure all arrangements falling under IAS 17 are identified and correctly accounted for. The Council has a large number of leases of varying sizes and complexity and they will have to consider how they are going to review these leases in order to ensure that there restated accounts are IFRS compliant. There is a risk that without a proper plan and set timescales, all lease arrangements may not be identified and therefore financial statements may not be complete.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether proper control procedures are being operated and are compliant with the Prudential Code. Or whether e-procurement is delivering the expected benefits and that arrangements are in place to assess whether contracts and operating leases are compliant with contractual undertakings and departmental budgets are set with consideration of commitments.

Car Allowances and Subsistence - Overview

The Single Status scheme for Travel & Subsistence has now been fully implemented and recent changes to the HMRC rates have been taken into account with rates being adjusted accordingly.   Internal audit will review Car Allowances and Subsistence, specifically looking at whether there is a policy in place covering the claiming of travel and subsistence allowances in accordance with instructions featured in the Financial & security regulations.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, Car Allowance and Subsistence Claims to ensure that Claims made are genuine, forms are correctly completed and authorised with payments and reporting meets HMRC requirements.

Stock Taking and Work in Progress – Overview

Stocks represent an asset to the Council and can vary greatly in nature. Good stock control is important to ensure that the assets of the Council are protected. Inventories should be maintained on a continuous basis by all services.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are Council stores and depots to ensure that appropriate procedures are operated in accordance with Council Standing Orders and Financial Regulations, and to a professional standard. Internal Audit will check

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that store and depot records are complete and accurate with stocks correctly accounted for in terms of receipt, issue, calculation, valuation and review authorisation.

BUSINESS SYSTEMS AUDITS

Pyramid - Overview

The Council has a Planning and Performance Management Framework (PPMF) which was approved by the Executive in November 2008. This describes how the Council plans and manages performance at each level, from community planning to individual employee. Pyramid is the tool used to monitor and report performance in the structure laid out by the PPMF.

Internal Audit – scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether the Council has established a performance indicators and data quality policy, that procedures ensure relevant information, data, documentation and IT facilities are held securely and are readily accessible by authorised persons; and that supporting information, data, reports, etc are produced and retained.

Resource Link - Overview

ResourceLink is a web-enabled integrated suite of HR and Payroll modules. The heart of the system is a single data repository which holds all employee-related information, which can be accessed and updated by users across the Council according to individual authority levels. Information is held regarding employees' skills, qualifications and career development, pay run processing, p11d, back pay, car mileage, expenses and net to gross calculations. Reports are produced for various purposes throughout the system.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether the ResourceLink system functionality is meeting operational requirements with well managed day-to-day tasks, good quality information provided in the form of reports and securely operated with proper regard for legal and business continuity requirements.

Planning/Building Standards - Overview

Details of applications in relation to Development Management and Building Standards are recorded and held on the UNI-Form Database with all documents attached to the Civica Document management system. All Development Management documentation is available to view on Public Access via the Council's website, whereas only specific documents in relation to Building Standards are public. The Systems ensure that a fair and consistent approach is taken in the processing of all applications.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether application procedures, including those in respect of fees and collection of income, are in accordance with Statute, the Council's Standing Orders and Financial Regulations and that all applications and appeals are appropriate, bona fide and treated consistently with fees banked and properly accounted for.

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Care First – Overview

CareFirst case management system comprises a comprehensive suite of integrated modules covering the full spectrum of children's and adults services client groups. The application is fully compliant and satisfies the latest government requirements for statutory returns it has integrated workflow to support case management operations and can exchange information with central government systems. There is also a performance management tool to provide an integrated view of activities.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether procedures have been established for ensuring that employees, stakeholders, partners, contractors/agencies, service providers and suppliers, etc involved in partnership workings are aware of the organisation's integrity and ethical behaviour standards and code of corporate governance and that those procedures are being adhered to.

Leisure Management System - Overview

The system manages, manipulates and analyses customer data including, membership administration, activity, facility, class and course bookings and tracking. There is an electronic Point of Sale facility to analyse income taken, basic stock control functionality and a comprehensive reporting package. An online booking feature will be made available to use on the Council's web page in the near future.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether accounting records maintained agree with information held in the Council's General Ledger, Information held on the system is accurate, secure and accessed only by authorised staff, stores procedures are followed; and the system correctly reflects the stocks held at the Council's Leisure premises.

Fleet Management - Overview

The Tranman Fleet Management system fully utilises job recording, ordering for Fleet apart from fuel, invoicing, fuel transactions imported from Vectec fuel system, manual fuel transactions from private garages, Esso card transactions, recharging service users for fuel, defect reporting, driver/licence checks, training data, transfers to GL, accident recording, external hire desk including charging to customers, internal hires, budget accounting , stock – Issues/transfers/stock-takes, vehicle scheduling and a comprehensive reporting package for KPI's. The next stage of the Tranman project is to link in with the Debtors system.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether the functionality and use made of the system's plant hire module and production of performance data for asset management are appropriate for business and reporting requirements.

Roads Costing System

The costing ledger allows income and expenditure to be collected on a job by job basis (per works order) allowing actual balances to be monitored across many years. TOTAL comprises the Costing Ledger, General Ledger and Labour/Plant allocation modules. These modules are totally integrated and also link to the Oracle General Ledger, Northgate Payroll and Oracle Accounts Payable corporate systems.

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Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether input and output controls are in place and any problems are identified promptly; that computer reports produced are useful and all relevant authorised documentation is filed in the appropriate manner, and is available for inspection.

Environmental Health, Trading Standards & Licensing *(Regulatory Services)*

IDOX information management system is the principal system for recording service requests, interventions with businesses and the actions taken by the service of animal health, environmental health, trading standards and licensing standards. The system also programmes future inspections and produces management reports on performance, trends etc as well as providing statutory performance data. This also assists in reviewing service delivery and identifying areas for service improvement.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether policies, procedures and controls are in place and being followed. That operational database's are managed with accurate recording of service requests, inspections, interventions and action is taken across the key areas of enforcement activity. Also, whether inspection programmes and the reports produced meet service requirements and areas for improvement are identified.

Customer Service Centre - Overview

The Lagan Customer Relationship Management System integrated with Macfarlane Telephony is used within the Customer Services Centre, allowing the customer base to interact with the Council in an efficient manner through all methods of customer contact (face to face, by telephone or online).   The Customer Services Centre is controlled from the main CSC Telephony Service Point where the management and systems team are based along with the main team of CSC telephony agents.   This is supported by a network consisting of eleven satellite Service Points (including the 3 Islands Partnership) spread across the Council area.   Customer Service Centre Staff can process information for Northgate Revenues and Benefits, Civica EDMS and Civica Cash Receipting.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, to ensure that policies, procedures and controls are in place, complied with; effective outcomes are achieved against targets and identify any areas for improvement.

Electronic Timesheets - Overview

The Electronic Timesheet system is a custom built web-based application developed in-house by ICT staff; it involves staff at offices throughout the Argyll & Bute area keying timesheet details of employees to the system and printed off by authorised payroll staff in Campbeltown who then key the details into the payroll system.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether input and output controls are in place and any problems are identified promptly, computer reports produced are useful and all relevant authorised documentation is filed in the appropriate manner, and is available for inspection.

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E-Procurement - Overview

The Pecos system houses a collection of electronic catalogues from various suppliers where goods and services can be ordered via easy-to-use, online forms for catalogue, non-catalogue and rapid entry requisitions. Approval requests are automatically routed to authorised personnel as per user profiles predefined within the system. There is electronic matching of order, invoice and receipts with various reports available to run.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether procurement objectives, policies and procedures have been established to ensure that the system complies with legislation, professional, best practice and the Council's requirements, standards and objectives; and that records are created and maintained to evidence all purchasing activities.

CORPORATE PERFORMANCE AUDITS

Partnerships - Overview

The Council has taken note of the Local Government in Scotland Act 2003 (the Act) which provides a statutory basis for Community Planning in Scotland. There is a duty under section 15 of the Act that requires Local Authorities to initiate, facilitate and maintain the Community Planning process. The duty under section 16 of the Act places a statutory duty to participate in Community Planning on Local Authorities, Enterprise, Health, Police, Fire bodies, and the Strathclyde Partnership for Transport. Strategic and local structures have been developed and meetings are held 3 times per year and are attended by those required to participate in Community Planning in terms of the Section 16 of the Act. The Council is actively working with its partners to identify a clear set of priorities that meet the needs of the community.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether senior management, members and leaders of partner bodies remain committed to partnership working and there are effective governance arrangements for partnership working – specifically scrutiny and accountability. Internal audit may also review the involvement of communities in the partnership and can demonstrate the impact of partnership working in delivering real outcomes for people and communities.

Asset Management - Overview

In recent years to ensure the widest possible review of audit topics related to capital expenditure and procurement, internal audit has undertaken a Major Capital Review with audit reports being generated as required. The Asset Management Strategic Board (AMSB) is responsible for the development and implementation of a range of procedures and processes to ensure best practice in asset management. The AMSB achieved some early success in championing the business case process and capital/asset management plans. The AMSB has achieved significant improvement in the Council's approach to asset management over the last 2 years particularly by prioritising and targeting specific asset groups. The work plan for 2011/12 continues this approach and will require the full commitment of Development and Infrastructure and Community Services Departments.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether appropriate progress is being made against plan and the Boards objectives are achieved. The asset management process which is being developed is highlighting possible resource issues for the future in relation to the gathering and recording of performance data.

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Financial Management & Efficiency - Overview

Within the Audit Plan, the review of Financial Systems has a separate audit programme; however, Finance plays a far wider role in the Council's operations. The audit of financial management in relation to Corporate Performance will look at the emphasis placed by the Council on ensuring financial management skills are being widely distributed, regular and high quality challenge of financial matters within a robust financial planning process and linking strategic objectives to financial strategy. Internal Audit will also ensure that there is a medium to long-term financial strategy with a clear understanding of cost drivers and how costs change in response to changing levels of activity.

With the funding cuts announced by the Scottish Government a greater emphasis is being placed on efficiency by all Councils. Any efficiency projects will have a financial impact for the Council.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, ensuring that efficiency has been incorporated into Council plans, the culture is supporting improved efficiency and plans for measuring the scale of efficiencies achieved are realistic and based on the correct information to monitor progress.

Procurement - Overview

A new Procurement Manual has been approved by the SMT and issued for general use; this has coincided with the completion of a Capital Programme Planning and Management Guide and Corporate Project Management Guidelines. The issue of sometimes lengthy procedural documents such as the Procurement Manual, a Capital Planning and Management Guide and Project Management Guidance from three different sources within the Council can create confusion to a greater or lesser extent. Procurement accounts for over £100m of spending and its management and supporting systems are key to the Council achieving Best Value. The importance of procurement has been recognised in the past but also in the new audit plan. Previous audits have assessed the effectiveness of the system of internal control and the associated risk management structures and processes covering procurement.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, that the Council objective of getting best value in procurement is being achieved through procurement decisions satisfying core supply needs; suppliers and contracts are managed efficiently and that robust processes and systems are in place to support advanced procurement activity.

People Management – Scope and Objectives

The Council is undergoing a major transformation exercise which has resulted in the re-structuring of all departments. This has brought benefits such as the centralisation of the HR function enabling better reporting.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, how well the Council operates its HR strategies, policies, procedures and structures to support effective people management. This includes HR strategies, policies, procedures and structures, that these are supported by effective people management and integrated workforce planning processes. Internal audit will be auditing to ensure that management communicate effectively, involve staff on issues that affect them and develop the performance of its staff to achieve set objectives.

DRAFT - AUDIT SCOPE & OBJECTIVES 2012 – 2013

Governance and Accountability - Overview

Governance and accountability within the Council has received prominence with the introduction of a Corporate Governance Statement last year. This is now an annual task which results in a report and action plan presented to the Audit Committee and Council. The Council has also been working at a corporate, departmental and service level along with its external partners to meet statutory requirements and support effective public performance reporting.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether the Council continues to have clear roles and responsibilities that enable good governance, strong accountability, that support members and senior officials to be effective in their roles. That the Council promotes effective and stakeholder-focused public performance reporting and that the Council's performance reports provide good quality information for effective public accountability.

Risk Management - Overview

Responsibility for promoting risk management and defining the framework within which it will operate has recently passed to the Chief Executive's unit - Strategic Finance. The service took this opportunity to conduct a more comprehensive review of the structure and processes supporting risk management. New arrangements have been proposed, based on a substantial development of those processes currently in place, and are contained in a document entitled Managing Risk and Opportunities. Therefore the Council is ensuring that Risk Management is an effective part of the Council's Corporate Governance arrangements.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, ensuring that the organisations risk management activities are actively supported and promoted by senior officers/ members. Internal audit are likely to look at the developing risk management structure and processes to ensure that it is identifying and prioritising risks and responses to ensure risk management is contributing towards the achievement of corporate objectives.

Statutory Performance Indicators (SPIs) - Overview

The Accounts Commission issued its Direction for the financial year 2009/10, in December 2008. The Commission's 2008 Direction represented a significant change in approach to the responsibilities for external audit. It placed increased emphasis on self determination by councils for performance material reported to the public, in accordance with the principles and guidance underlying Best Value. Consequently, the Council external auditors, Grant Thornton UK LLP, did not review the accuracy of the individual SPIs for 2009/10. Internal Audit therefore made the decision to review the 20 SPIs that the Council had to submit to Audit Scotland. Of the 20 audited, 12 were judged correct 5 had to be amended after discussion with the appropriate departmental staff and the remaining 3 required considerably more effort from Internal Audit before the final figures could be agreed.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are the review of the 2011 /12 SPIs, to ensure that systems for recording data are correct. Spot checks will be undertaken to ensure that systems recording and reporting are correct.

Performance Management - Overview

The Council's Corporate Plan has been reviewed and is now a simplified document based on the new vision and values. The Plan clearly identifies priority outcomes for the Council

DRAFT - AUDIT SCOPE & OBJECTIVES 2012 – 2013

that are linked directly to National Outcomes. Performance management is a feature of quarterly meetings between the Chief Executive and Executive Directors where performance successes, challenges and planned actions to address challenges are discussed. Quarterly reports are presented to the Council's Executive Committee and Member scrutiny takes place of the Departmental and Council scorecards.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, ensuring that the Council is improvement oriented, demonstrates a performance culture and has the processes in place to deliver performance management; internal audit may also look at how the Council uses Inform, Consult and Engage (ICE) in effectively reviewing its services.

Information Management - Overview

Information management is of key importance to the Council because of its geographical location and communication challenges. Within the Audit Plan there is a specific section for Business Systems, in terms of data integrity and controls.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are the importance of information management for management and members in understanding the Councils activities. Internal audit may also look at whether there is sufficient information management and technology support for effective service delivery.

Community & Customer Engagement - Overview

As part of the Council's commitment to Community Planning Partnership (CPP) the Council has set up 4 Local Area Community Planning Groups (LACPGs) as well as 3 Community Planning Partnership Thematic Groups. The Council has a Community Engagement Action Plan which is reviewed and updated and this is reported to the Community Planning Partnership Management Committee. The Management Committee, LACPGs and the Thematic Groups report to the CPP on a regular basis. Council CPP and Single Outcome Agreement Annual Reports are submitted to the CPP. The Management Committee agreed to the formation of a 3rd Sector and Communities CPP Sub-Group to ensure that Community Engagement is given the same strategic guidance and monitoring as the other CPP Thematic Groups. The Council is working with its Community Partners to identify a clear set of priorities that meet the needs of the community. The Council is developing a co-ordinated approach to improving customer service.

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, whether the Council is demonstrating its commitment to and understanding the needs and aspirations of communities. Internal audit may look at whether communities get involved in the decision-making process and planning; and that there are monitoring arrangements in place to record the level of community engagement.

Equality & Sustainability - Overview

The focus of the equality audit is principally on the Single Equalities Act and the responsibilities it places on the Council and its management. With regard to Sustainability, the Council is committed to achieve primarily through a reduction in greenhouse gases, the recycling of waste and the increased use of energy from renewable sources, to deliver increased levels of sustainability in its operations.

APPENDIX 2

DRAFT - AUDIT SCOPE & OBJECTIVES 2012 – 2013

Internal Audit – Scope and Objectives

The areas that Internal Audit is likely to concentrate on are, how the Council demonstrates it is providing equality of opportunity within a diverse workforce and delivering positive outcomes for its diverse communities. Internal audit will review whether sustainability issues are embedded in the Council's vision and strategic direction. That sustainability issues are embedded in governance arrangements and its use of resources contributes to sustainability.

ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
16 MARCH 2012

NATIONAL FRAUD INITIATIVE (NFI) – NATIONAL EXERCISE 2010/11

1.   INTRODUCTION

This report provides the current position of NFI match investigations as at 29 February 2012. Two tables are provided in Appendix 1. Table 1, details the cumulative monthly progress of match investigations with an estimated completion date for any remaining datasets. Table 2, provides key external agency review dates, when an evaluation of the Council's progress with NFI match investigations will be undertaken.

2.   RECOMMENDATION

2.1   The Audit Committee is asked to note the contents of this report which will be followed up by Internal Audit.

3.   DETAILS

3.1   On the 22nd of February, the NFI released an additional 606 matches for investigation. These matches were issued under a new dataset category called Council Tax. Of the 606 matches, there are no recommended matches. Customer and Support Services have been asked by Internal Audit to complete a 5% sample of the 606 matches, in order to give an assurance that there are no issues. If any issues are found then the sample will be extended. With training already having been undertaken, It is estimated that sampling will be concluded by 31 March 2012.

3.2   The Housing Benefit Fraud Team has one remaining investigation which is due to be finalised by the end of March 2012. The Fraud Team is working in co-operation with the DWP who have 6 remaining investigations to complete for the Council. It is anticipated that the DWP will complete their investigation work by 31 March 2012. However, they cannot guarantee this due to staffing issues.

4   CONCLUSION

4.1   Monthly reports will be provided to the SMT and quarterly to the Audit Committee covering progress of the remaining match investigations. External Audit will also continue to receive update reports.

Table 1 - Cumulative Progress Report - 29 February 2012

Datasets	Recommended Filter Matches	Total Matches	Matches selected for Investigation	Cumulative Matches Processed as at 29th February 2012	Responsible Officer	Target dates for completion of Matches
Housing Benefit	161	1370	161	222	Fraud Administrator	31/03/2012
Creditors	509	7723	190	212	Completed	N/A
Payroll	5	195	21	21	Completed	N/A
Residential Care Homes	47	86	86	86	Completed	N/A
Blue Badges	114	120	120	120	Complete	N/A
Insurance	0	7	7	7	Completed	N/A
Council Tax	0	606	30	0	Council Tax Supervisor	31/3/2012
Total	**836**	**9502**	**615**	**662**		

Datasets	Outcomes for Completed Datasets
Creditors	The match sample investigation identified four duplicates, however in each case Creditors duplicate software (Fiscal Technologies) had picked them up and were resolved at the time.
Private Residential Care Homes	There were no issues found.
Insurance	There were no issues found.
Blue Badges	There were no issues found.
Payroll	There were no issues found.

Table 2 – Key External Review Dates

Key Dates	Target Dates
NFI: Final position statement. The council should ensure all work is up to date	February 2012
NFI: Case Studies - National report examples of good practice.	March 2012
Publication of national report	May 2012

For further information contact: Ian Nisbet, Chief Internal Auditor on TEL: 01546 604216.

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ARGYLL AND BUTE COUNCIL	AUDIT COMMITTEE
STRATEGIC FINANCE	16th March 2012

RISK MANAGEMENT UPDATE

1   SUMMARY

1.1   This report updates the Audit Committee on progress and issues related to risk management.

2   RECOMMENDATION

2.1   The report is a progress report for noting.

3   DETAIL

3.1   Previous reports to the Audit Committee highlighted remaining audit actions are noted below.

3.1.1   • **The Council should explore alternatives to Pyramid as a means of managing the risk registers – 30 September 2011**

3.1.2   A number of systems were reviewed, however, these were rejected on the basis of limited improved functionality. Initial purchase price and on-going recurring maintenance costs were also considered prohibitive.

3.1.3   The Council is now using pyramid for recording and reporting risk. ORR's and SRR's together with scoring and any mitigating plans or actions are all now recorded within Pyramid. Risk owners can access registers on a live basis and record /note any change or comment as required. ORR's and SRR's also feed into performance scorecards.

3.2   • **Consideration should be given to using risk assurance statements as a means of enhancing accountability - 31 March 12**

3.2.1   Risk assurance statements will form part of the year end process. Risk assurance statements will be issued to Heads of Service 31-March with a request to complete and return by 30th April.

3.3   The ORR's have been reviewed and revised. ORR's are available for update and viewing within pyramid together with associated scoring and mitigating plans / actions. ORR's are reported on a quarterly basis to SMT on a quarterly basis. ORR's are reviewed on an on-going basis to ensure risks identified are appropriate to service outcomes together with confirmation that status level and scoring are appropriate to assessed level of risk.

3.4   The SRR is currently subject to revision. A revised draft SRR has been submitted to SMT for discussion and is currently undergoing further revision.

3.5 The risk management calendar for January to March includes:

- January -March– HOS to review current risk status and confirm scoring (On-going)
- March– Preparation of ORR quarterly report. (Scheduled)
- March– Complete revisions to revised draft SRR. (On-going)
- March – Issue Year end Risk Assurance Statements

4 CONCLUSION

4.1 This report advises that the key audit recommendations in relation to risk management have been completed or are in progress. ORR's are subject to on-going review in order to ensure Services have identified and scored risk appropriately. The SRR is currently subject to further revision and it is anticipated this will be completed 31st March.

Bruce West
Head of Strategic Finance
16th March 2012

ARGYLL AND BUTE COUNCIL   **AUDIT COMMITTEE**
STRATEGIC FINANCE   **16 March 2012**

FINANCIAL STATEMENTS – 2011/12

1   INTRODUCTION

1.1   This report advises the Audit Committee on the plans in place for financial year end 31 March 2012 and the preparation of the Council's Financial Statements for 2011-12.

1.2   2011-12 is the second year where the financial statements will be fully prepared in accordance with International Financial Reporting Standards (IFRS). There are no major changes in accounting practice apart from the introduction of Financial Reporting Standard (FRS) 30 – *Heritage Assets* which will be disclosed as a change in accounting policy.

2   RECOMMENDATIONS

2.1   To note that plans are in place to prepare the Councils financial statements, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2012 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 financial statements.

3.2   A set of instructions for the end of the financial year have been drafted. These cover year-end close down of the council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements.

3.3   The project plan included with the instructions is detailed and includes the following milestones:

- Capital expenditure, capital charges and treasury management revenue accounts completed by 30 April.

- Revenue expenditure, creditors, debtors, accruals and prepayments completed by 30 April.

- Council Tax and NDR entries completed by 18 May.

- Review and adjustments to ledger and central department cost allocations completed by 18 May.

- Preparation of unaudited single entity financial statements including report by Head of Strategic Finance by 8 June.

- Unaudited single entity financial statements considered by a meeting of the Full Council on 28 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 2012.

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 2012 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2012.

3.5   Copies of both sets of instructions / timetables are available from the Head of Strategic Finance if required.

Bruce West
Head of Strategic Finance
5 March 2012

Argyll and Bute Council

Annual Audit Plan 2011/12

Contents

Summary plan

Summary of planned audit activity

Based on our analysis of the risks facing Argyll and Bute Council, our planned work in 2011/12 includes:

- an audit of the financial statements and provision of an opinion on whether:

    - they give a true and fair view of the financial position of Argyll and Bute Council as at 31 March 2012 and its income and expenditure for the year then ended

    - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and are presented in accordance with International Financial Reporting Standards (IFRS)

- reporting the findings of the shared risk assessment process in an Assurance and Improvement Plan Update. This will consist of the Local Area Network (LAN) examining new evidence in terms of its impact on existing risk assessments and will include updated scrutiny plans for the period 2012/13 to 2014/15 for the council

- provision of the annual report on the audit addressed to the council and the Controller of Audit

- a review and assessment of the council's governance and performance arrangements in a number of key areas including internal controls; the adequacy of internal audit; Statutory Performance Indicators; national study follow-up work; and ICT computer service reviews

- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts

- review of National Fraud Initiative arrangements throughout 2011/12

- undertaking other work requested by Audit Scotland.

Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to Argyll and Bute Council (the council) in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the council's financial statements. This report summarises specific governance and other risks that may affect the financial statements of the council, and sets out the audit work that we propose to undertake in 2011/12 to address these. Our annual audit plan reflects:

- the risks and priorities facing the council

- current national risks relevant to local circumstances

- the impact of changing international auditing and accounting standards

- our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland and the Accounts Commission

- issues brought forward from previous audit reports.

2. In addition to this annual audit plan which focuses on those risks which may impact on the financial statements, we will issue, on behalf of the Local Area Network, an Assurance and Improvement Plan Update which will update the LAN's joint assessment of the strategic and performance risks facing the council and set out the planned scrutiny activity in the council for the period April 2012 to March 2015.

Our responsibilities

3. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

4. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance and the organisation's use of resources. In doing this, we aim to support improvement and accountability.

5. In carrying out our audit, we seek to gain assurance that the council:

- has good corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability

- has systems of recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests

- prepares financial statements which give a true and fair view of the financial position at 31 March 2012 and income and expenditure for the year then ended, in accordance with the Local Government (Scotland) Act 1973 and other applicable laws and regulations, including the 2011 Code of practice on local authority accounting in the United Kingdom (the Code). The 2011 Code applies to reporting periods commencing 1 April 2011.

- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption

- complies with established policies, procedures, laws and regulations

- proactively manages and reviews its performance in line with its strategic and operational objectives

- has made proper arrangements for securing best value in its use of resources and is complying with its community planning duties.

6. Our audit approach is based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of the council, and identification of the key audit risks and challenges in the local government sector generally. This approach includes:

- understanding the business of the council and the risk exposure which could impact on the financial statements

- assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements

- identifying major transaction streams, balances and areas of estimation, understanding how the council will include these in the financial statements and developing procedures to audit these

- assessing the risk of material misstatement in the financial statements, in conjunction with our evaluation of inherent risk, the control environment and control risk as part of our risk assessment

- determining the nature, timing and extent of our testing programme to provide us with sufficient appropriate audit evidence as to whether the financial statements are free of material misstatement.

7. Through this approach we have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2011/12 includes:

- comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff

- clear responsibilities for provision of accounts and working papers being agreed

- delivery of unaudited accounts to agreed timescales

- a comprehensive working papers package and supporting records to demonstrate full compliance with the requirements of IFRS

- completion of the internal audit programme for 2011/12.

8. 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 early assessment of the internal audit function. Internal audit is provided by the internal audit section within the council. Based on our review of internal audit we plan to place formal reliance on the areas of work set out in Appendix D.

9. Our approach to the audit of the financial statements is based on an integrated assessment of risk across the Code of Audit Practice responsibilities in relation to governance, performance and opinion.

10. At the completion of the audit we will provide Members and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Responsibility for the preparation of accounts

11. It is the responsibility of the council and the Head of Strategic Finance as proper officer to prepare the financial statements in accordance with the Code. This means:

    - acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority

    - maintaining proper accounting records

    - preparing financial statements timeously which give a true and fair view of the financial position of the council as at 31 March 2012 and its expenditure and income for the year then ended

    - reviewing the main components of the system of internal control, including the arrangements for internal audit and group entities. This should include consideration of issues identified as part of the audit process

    - preparing an explanatory foreword.

Format of the accounts

12. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003. The council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government and is required to prepare its accounts using common accounting principles and standard formats for summarisation.

Audit issues and risks

13. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following main financial statements risk areas for your organisation.

14. **Budget Savings and Financial Pressures**: Local Government faces substantial reductions in financing in the coming years as the UK Government seeks to reduce the deficit in the country's finances. At the same time pressures are building on demand led services, costs are increasing and income from sources such as asset sales and fees and charges are reducing. Strong financial management will be required to ensure that services are delivered within the financial constraints. The local government finance settlement was announced on 8 December 2011. The funding for Argyll and Bute Council sees an increase of 1.1% from 2011-12 to 2012-13 followed by reductions of 0.9% for 2013-14 and 0.8% for 2014-15.

15. **Changes to the Code:** The 2011/12 Code has introduced some additional reporting requirements for local authorities. The most significant of these are the inclusion of heritage assets in the balance sheet and the disclosure of the number and cost of exit packages paid during the year. The historic and cultural nature of heritage assets means that accurate valuation can be difficult to achieve however the council is required to include all known

assets in the balance sheet or provide specific reasons why these have been excluded. The new requirements will inevitably be an increased burden on the finance service and we will liaise with the service and provide what assistance we can.

16. **Capital Programme**: The council has a number of ongoing capital projects including the CHORD programme to re-develop the waterfronts at Campbeltown, Helensburgh, Oban, Rothesay and Dunoon and a 3 year Roads reconstruction recovery programme. Completion of these projects has been made more difficult by reductions in Central Government financial support however the capital plan is fully funded within the reduced/agreed levels of Scottish Government funding.

17. **Asset Management - Management of the Schools Estate**: Argyll and Bute Council has considerable surplus capacity in its primary schools and the current backlog of maintenance in all schools is estimated at some £25 million. The council formally ended its schools closure consultation process in June 2011. The council will need to develop a clear way forward on addressing the strategic issues related to the school estate taking into account the Scottish Government's legislative response and consideration of funding for rural education arising from the findings of the Commission on Rural Education and other national policy drivers related to the Education Service. The Commission's findings are not expected until autumn 2012.

18. **Asset Management - Roads Maintenance:** The Council faces many challenges in maintaining its road network, including the dispersed geography and extremities of weather within the area. Argyll and Bute Council has the highest proportion of roads in need of maintenance treatment (56.8%). Additional capital funding has been allocated by the Council to roads maintenance to address these challenges. We are planning a follow up review of a national study "Maintaining Scotland's Roads" which will look at the action the council is taking in response to these challenges.

19. **Local government elections**: The May 2012 local government elections may change the political composition of the council. The new council, regardless of its political composition, may wish to review the council's priorities and the structure of political governance. The possibility of a different administration with a different approach to the issues facing the council entails a degree of uncertainty. The local audit team will monitor the impact on council business of the forthcoming election and comment as necessary in our annual report to members and the Controller of Audit.

20. **Equal Pay:** The council has a number of applications for equal pay at various stages of completion at Industrial Tribunals. The final outcome of all these applications is unknown at this time. There is also the potential for other equal pay claims whose cost may be met by the council.

21. **Governance issues:** The chief executive has issued a statement outlining how the authority intends to investigate recent allegations of inappropriate covert surveillance of social media by a Council employee. We will review the outcome of the council's investigation, when it is concluded.

National performance audit studies – impact and follow up

22. In addition to the above work, Audit Scotland's Performance Audit Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process and to maximise the impact of national performance audits we will follow up a number of studies at a local level. In 2011/12 this will involve the completion of templates about the consideration of relevant national performance reports by the council as well as a more targeted review of Audit Scotland's report, Maintaining Scotland's roads: a follow up report (published February 2011).

Summary assurance plan

23. Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix A. In most cases, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake are also set out in Appendix A. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

Materiality

24. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

25. International Standard on Auditing 320 states that, "Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered."

26. When considering, in the context of a possible qualification to the audit opinion, whether the misstatement of an item, or a number of items taken together, is material in terms of its monetary value, we use professional judgement, experience and internal guidelines from peers as broad guidance in regard to considering whether the results of tests of detail are material.

27. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality

has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control). Again we use professional judgement, experience and internal guidelines from peers to determine when such matters would fall to be covered in an explanatory paragraph, rather than as a qualification to the audit opinion.

Reporting arrangements

28. Under the Local Government (Scotland) Act 1973, there is a requirement for unaudited financial statements to be presented to the council and the Controller of Audit within 3 months of the financial year end i.e. 30 June. The non-statutory target for audit completion is 30 September. To achieve this target, it is critical that a timetable for the audit of the accounts is agreed with us. An agreed timetable is included at Appendix B of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.

29. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission.

30. A copy of all final agreed reports will be sent to the Chief Executive, Head of Strategic Finance, relevant senior managers, Internal Audit and Audit Scotland's Best Value & Scrutiny Improvement Group.

31. We will provide an independent auditor's report to the council and the Accounts Commission for Scotland that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual report to members and the Controller of Audit will also be produced to summarise all significant matters arising from the audit and overall conclusions about the council's management of key risks.

32. All annual reports produced by Audit Scotland are published on our website (www.audit-scotland.gov.uk).

33. The full range of outputs to be delivered by the audit team are summarised in Exhibit 1.

Exhibit 1: 2011/12 Planned Outputs

Planned outputs	Target delivery date
Governance	
Assurance and Improvement Plan Update (jointly prepared with other local government scrutiny bodies)	31 May 2012
Review of the Adequacy of Internal Audit	29 February 2012
Internal controls management letter (final agreement)	31 July 2012
Computer services review (final agreement)	31 August 2012
Performance	
Maintaining Scotland's Roads: a follow up report (final agreement)	31 August 2012
Financial statements	
Annual Audit Plan	29 February 2012
Report to Audit Committee in terms of ISA 260 (Communication of audit matters to those charged with governance)	21 September 2012
Independent auditor's report on the financial statements	30 September 2012
Audit opinion on Whole of Government Accounts	30 September 2012
Annual report to Members and the Controller of Audit	31 October 2012
Grants	
Audit opinions on Education Maintenance Allowance, Criminal Justice Social Work Services, Non Domestic Rates, Housing Benefit & Council Tax Benefit Subsidy	All within 3 months, or the stipulated deadline of receiving certified claim and full supporting schedules.

Quality control

34. We are committed to ensuring that our audit reflects best practice and demonstrates best value to the council and the Accounts Commission. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case this is Fiona Mitchell-Knight, who is responsible for ensuring that our work is carried out on time and to a high quality standard.

35. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

Fees and resources

36. The agreed fees for 2011/12 are summarised in Exhibit 2 below.

Exhibit 2: Audit Fee

Description	Audit Fee 2010/11	Audit Fee 2011/12	% Change
Total audit fee	£286,500	£266,160	7.1% reduction

37. Our fee covers:

- all of the work and outputs described in this plan

- a contribution towards the costs of national performance studies and statutory reports by the Controller of Audit and the work of the Accounts Commission

- attendance at Audit Committee meetings as necessary

- access to advice and information on relevant audit issues

- access to workshops/seminars on topical issues

- travel and subsistence costs.

38. In determining the agreed fee we have taken account of the risk exposure of the council, the management assurances in place and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of the draft accounts and working papers by 30 June 2012.

39. Subject to the final passing of the Autumn Budget Revision Order you will receive a one off rebate equivalent to around 8% of the 2010/11 indicative fees. This is in addition to the reduction above.

40. We reserve the right to charge an additional fee for further audit work in such instances as late receipt of the draft financial statements, the lack of agreed management assurances or being unable to take planned reliance from the work of internal audit. An additional fee may be required if our audit cannot proceed as planned.

41. An additional fee will be required in relation to any work or other significant exercises not within our planned audit activity. An additional fee will also be charged for work on any grant claims or returns not included in the planned outputs noted previously.

42. Fiona Kordiak, Director, Audit Services is the appointed auditor for all local authorities audited by Audit Scotland. In practice, this operates by delegating management and certification responsibilities to Assistant Directors. For Argyll and Bute Council the Assistant Director is Fiona Mitchell- Knight.

43. The local audit team will be led by David Jamieson who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience of our team are provided at Appendix C. The core audit team will call on other specialist and support staff as necessary.

Independence and objectivity

44. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships within the audit team.

45. We comply with ethical standards issued by the Auditing Practices Board and with Audit Scotland's requirements in respect of independence and objectivity, as summarised at Appendix E.

Appendix A - Summary assurance plan

In this section we identify a range of governance and other risks that may affect the financial statements of Argyll and Bute Council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of Argyll and Bute Council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Risk	Source of Assurance	Planned audit action
Budget Savings and Financial Pressures Local Government faces substantial reductions in financing in the coming years as the UK Government seeks to reduce the deficit in the country's finances. There is a risk that the council is unable to deliver the efficiency savings required to respond to the reductions in their financial settlement.	• The council has a good track of financial management. • The council has adopted a three year budget planning cycle and set a target of maintaining a balanced budget over this term. • 3 year programme of service reviews with robust methodology for identifying, implementing and monitoring savings. • Quarterly revenue monitoring reports.	• Budget setting and monitoring arrangements reviewed as part of the annual risk assessment. • Comment on the council's financial position included in the annual Report to Members.
Changes to the Code Councils are required to include heritage assets in the balance sheet and disclose the number and cost of exit packages paid during the year. There is a risk that the Financial Statements do not comply with the Code.	• The council are taking steps to identify its heritage assets. • Discussions will take place with the external auditor to confirm the appropriate course of action.	• We will review the council's procedures for identifying and valuing heritage assets. • We will review the disclosure of heritage assets and exit packages in the financial statements.

Risk	Source of Assurance	Planned audit action
Capital Programme The council has an ambitious capital programme to assist with the regeneration and economic development of 5 of the main waterfront towns. There is a risk that projects may not get completed on time and within budget.	• Quarterly capital monitoring reports. • Regular reviews of the Capital Plan	• We will review the council's capital budget monitoring reports. • We will ascertain reasons for any significant deviations from the capital programme.
Asset Management - Management of the School Estate Continued surplus capacity in schools together with the large backlog in maintenance could impact on the council's future plans.	• The council has a Corporate Asset Management Programme in place that prioritises work base on a risk assessment and on "spend to save" programmes.	• We will monitor developments in this area.
Asset Management - Roads Maintenance The Council faces many challenges in maintaining its road network, including the dispersed geography and extremities of weather within the area. Argyll and Bute Council has the highest proportion of roads in need of maintenance treatment (56.8%). There is a risk that the council is unable to address its roads maintenance backlog.	• The council has developed a 3 year roads Reconstruction Recovery Programme and a longer term strategy and plan for improvement. • Additional capital funding has been allocated by the Council to roads maintenance to address this challenge with priority given to undertaking repairs to the Class A road network. • The Council's Roads Capital Reconstruction Programme for 2010/11 has been successfully completed.	• We are planning a follow up review of a national study "Maintaining Scotland's Roads" which will look at the action the council is taking in response to these challenges.

Risk	Source of Assurance	Planned audit action
Local government elections The May 2012 local government elections may change the political composition of the council. The new council, regardless of its political composition, may wish to review the council's priorities and the structure of political governance. There is a risk that a different administration with a different approach to the issues facing the council may necessitate a review of the council's current improvement plans.		• The local audit team will monitor the impact on council business of the forthcoming election and comment as necessary in our annual report to members and the Controller of Audit.
Equal Pay The council has a number of outstanding equal pay claims. There is a risk that the level of the provision may be insufficient to meet the ultimate level of liabilities.	• The level of the provision is reviewed on an annual basis.	• We will review the equal pay provision in the 2011/12 Accounts to ensure that it is soundly based and reflects current legal opinion.

Appendix B - Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	January to June 2012
Provision of closedown procedures to audit	31 March 2012
Meetings with officers to clarify expectations of detailed working papers and financial system reports	By 31 March 2012 and ongoing thereafter.
Planned committee approval of unaudited financial statements	30 June 2012
Latest submission of unaudited financial statements with working papers package	30 June 2012
Progress meetings with lead officers on emerging issues	As necessary
Latest date for final clearance meeting with section 95 officer	14 September 2012
Agreement of unsigned financial statements for audit committee agenda, and issue of report to the audit committee on the audit of financial statements (ISA 260)	14 September 2012
Audit committee date	21 September 2012
Independent Auditors Report signed	By 30 September 2012
Latest date for submission of unaudited whole of government accounts return to external audit	31 July 2012
Latest date for signing of WGA return	30 September 2012
Certified accounts and annual report presented to council	By 31 December 2012

Appendix C - Audit team

A summarised curriculum vitae for each core team member is set out below:

Fiona Mitchell-Knight BA (Hons) FCA
Assistant Director of Audit

Fiona took up post as Assistant Director of Audit in August 2007, following six years as the Senior Audit Manager for a number of local authority clients including Glasgow City Council. Fiona trained as an auditor in the private sector in England, and has 19 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sectors.

David Jamieson BA CPFA
Senior Audit Manager

David has over twenty years experience of both internal and external audit from a wide range of public sector clients including the NHS, local and central government.

Russell Smith BAcc CA
Senior Auditor

Russell has eleven years experience of public sector audit with Audit Scotland, covering local and central government. Russell previously worked in external audit in the private sector and in the international audit department of a multi national company.

Neil Robb
Senior Auditor (ICT)

Neil has nineteen years experience of public sector audit with Audit Scotland, covering local government, health and the central government sectors. Prior to this, Neil spent nineteen years in various IT management, security and operational roles in financial services.

Lindsay Tosh
Auditor

Lindsay has 38 years public sector accountancy experience, with 26 years at senior management level within the NHS. He has 9 years experience of public sector audit with Audit Scotland, covering local government, health and further education bodies.

Appendix D - 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 early assessment of the internal audit function. Our review of the internal audit service concluded that the internal audit service provided by the Internal Audit section in Argyll and Bute Council operates in accordance with the CIPFA code of practice for internal audit in local government. We plan to place reliance on the work of internal audit for the purposes of our financial statements work on:

- Non Domestic Rates
- Council Tax
- Payroll
- Creditor Payments and Purchasing
- Debtors Accounts
- Financial Ledger
- Treasury Management

For our wider governance and performance audit work, under our Code of Audit Practice, we also plan to place reliance on the work of internal audit, including the following areas:

- Performance Management Arrangements
- Statutory Performance Indicators

The reliance on internal audit work in these areas will allow us to direct our resources to the financial systems, performance and governance areas we have assessed as being of higher audit risk.

Appendix E - Independence and Objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice and standing guidance for auditors, which defines the terms of appointment. When auditing the financial statements auditors are also required to comply with the auditing and ethical standards issued by the Auditing Practices Board (APB). The main requirements of the Code of Audit Practice, standing guidance for auditors and the standards are summarised below.

International Standards on Auditing (UK and Ireland) 260 (Communication with those charged with governance) requires that the appointed auditor communicates:

- A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with the APB's Ethical Standards for auditors.

- All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor.

- The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

The standard defines 'those charged with governance" as "the person(s) or organization(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process." In your case, the appropriate addressees of communications from the auditor to those charged with governance are the s95 officer and the Governance and Audit Committee. The auditor reserves the right to communicate directly with members on matters which are considered to be of sufficient importance.

Audit Scotland's Code of Audit Practice requires appointed auditors to carry out their work independently and objectively, and ensure they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. Appointed auditors and their staff should avoid entering in to any official, professional or personal relationships which may impair their independence, or might lead to a reasonable perception that their independence could be impaired.

The standing guidance for auditors includes a number of specific requirements. The key requirements relevant to this audit appointment are as follows:

- during the currency of an appointment, auditors should not perform non-audit work for an audited body, consultancy or otherwise, without the prior approval of Audit Scotland

- the appointed auditor and key staff should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy

- the appointed auditor and audit team are required to carry out their duties in a politically neutral way, and should not engage in high profile public party political activity

- the appointed auditor and audit team must abide by Audit Scotland's policy on gifts and hospitality, as set out in the Audit Scotland Staff Code of Conduct.

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