

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
Executive Director: Douglas Hendry



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13 September 2013

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD** on **FRIDAY, 20 SEPTEMBER 2013** 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**
3. **MINUTES**
Audit Committee 21 June 2013 (Pages 1 - 6)
4. **BUSINESS CONTINUITY UPDATE**
Report by Executive Director – Customer Services (Pages 7 - 12)
5. **AUDIT SCOTLAND REPORT - COMMUNITY PLANNING AND HEALTH INEQUALITIES**
Report by Head of Improvement and HR (Pages 13 - 16)
6. **AUDIT SCOTLAND REPORT - 'MAINTAINING SCOTLAND'S ROADS'**
Report by Executive Director – Development and Infrastructure Services (Pages 17 - 42)
7. **AUDIT ASSURANCE ON TREASURY MANAGEMENT**
Report by Head of Strategic Finance (Pages 43 - 48)
8. **RISK MANAGEMENT UPDATE**
Report by Head of Strategic Finance (Pages 49 - 72)

- 9. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2013 - 2014**
Report by Head of Strategic Finance (Pages 73 - 76)
- 10. REPORT ON PUBLIC SECTOR INTERNAL AUDIT STANDARDS**
Report by Grant Thornton (to follow)
- 11. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW UP 2013 - 2014**
Report by Head of Strategic Finance (Pages 77 - 86)
- 12. EXTERNAL AUDIT - PROGRESS REPORT ON EXTERNAL AUDIT PLAN**
Report by Audit Scotland (to follow)
- 13. EXTERNAL AUDIT REPORTS**
Report by Audit Scotland (to follow)
- 14. EXTERNAL AUDIT REPORT ON FINANCIAL STATEMENTS - ISA 260 LETTER**
Report by Audit Scotland (to follow)

AUDIT COMMITTEE

Martin Caldwell (Chair)
Councillor Maurice Corry
Councillor Iain MacDonald
Councillor Aileen Morton

Councillor Gordon Blair
Sheila Hill
Councillor Duncan MacIntyre

Contact: Fiona McCallum

Tel. No. 01546 604392

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 21 JUNE 2013**

Present: Martin Caldwell (Chair)

Sheila Hill (vice-chair)
Councillor Gordon Blair
Councillor Duncan MacIntyre
Councillor Aileen Morton

Attending: Charles Reppke, Head of Governance and Law
Bruce West, Head of Strategic Finance
Jane Fowler, Head of Improvement and HR
Tricia O'Neill, Central Governance Manager
Ian Nisbet, Chief Internal Auditor
Russel Smith, Audit Scotland

1. APOLOGIES FOR ABSENCE

Apologies for absence were intimated from Councillors Corry and MacDonald.

2. DECLARATIONS OF INTEREST

There were no declarations of interest intimated.

3. MINUTES

The Minutes of the Audit Committee of 15 March 2013 were approved as a correct record.

4. PERFORMANCE MANAGEMENT REPORTING

A report outlining options for the Audit Committee to consider regarding scrutiny of the council's performance management processes and procedures was considered.

Decision

The Committee agreed to all the options detailed at paragraphs 3.5 – 3.8 of the report and adopted these as a framework to support scrutiny.

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

5. ASSURANCE AND IMPROVEMENT PLAN 2013 - 2016

The Local Area Network of external scrutiny bodies has recently completed its annual Shared Risk Assessment review of the Council and updated the Assurance and Improvement Plan. The Plan outlines the current level of audit and inspection risk within the Council and sets out the level of proposed external scrutiny for a rolling three year period. A copy of the updated Assurance and

Improvement Plan which was previously presented to the Council on 23 May 2013 was before the Committee for consideration.

Decision

1. Noted the annual Assurance and Improvement Plan update and, in particular, the positive comments on the Council's improvement progress and continuing low risk, particularly in roads and transportation where the risk has reduced to no scrutiny required, and
2. Noted that plans to address areas identified as requiring scrutiny or further information will be developed.
3. Looked forward to providing evidence in the coming year that the Council continues to develop a strategic response to the long term financial challenges it faces.

(Reference: Report by Chief Executive dated 21 June 2013, submitted)

6. REVIEW OF CODE OF CORPORATE GOVERNANCE

A report detailing the process by which the Council will review the content of the local Code of Corporate Governance to ensure that it remains fit for purpose and the content reflects the current position within the Council was considered.

Decision

1. Noted the content of the report including the proposals for more risk management training for Elected Members,
2. Approved the revised Code of Corporate Governance for 2012/13,
3. Approved the Action Plan for 2013/14, and
4. Approved the draft statement of governance and internal control for 2012/13.

(Reference: Joint report by Executive Director – Customer Services and Head of Strategic Finance, submitted)

7. AUDIT SCOTLAND NATIONAL REPORTS TO AUDIT COMMITTEE 2012 - 2013

A report advising of recently published reports by Audit Scotland was before the Committee for consideration along with management responses where applicable.

Decision

1. Noted the contents of the report,
2. Noted that in future the full Audit Scotland National Reports will be issued to Audit Committee Members as they are published and advising at which Audit Committee meeting they will be discussed. A summary of these reports will

be included in future agenda packs along with management responses where applicable.

3. Noted that in the Audit Scotland report “Major Capital investments in Councils” reference was made in the Action Plan to training in capital investment issues and that this was to be included in the forthcoming member development programme.
4. Noted that in the Audit Scotland report “Responding to Challenges and Change” Appendix 1 was a schedule of action points for Councillors and agreed that this report and these action points would be brought to the attention of the Council to be addressed under the forthcoming member development programme.
5. Noted that an Audit Scotland report entitled “Maintaining Scotland’s Roads” will come to the Audit Committee in September 2013 along with a management response from the Head of Roads and Amenity Services, and
6. Noted that a further management report will be brought to the Audit Committee in September 2013 in respect of progress in relation to the two Audit Scotland National Reports on Health Inequalities and Improving Community Planning

(Reference: Report by Chief Internal Auditor dated 13 June 2013 and reports by Audit Scotland entitled “Major Capital Investment in Councils” dated March 2013, “Responding to challenges and change” dated March 2013, “National Scrutiny Plan for Local Government 2013/14”, “Managing early departures from the Scottish public sector” dated May 2013 and “Improving community planning in Scotland” dated March 2013, submitted)

The Chair adjourned the meeting at 1.00pm and re-convened at 1.10pm.

8. INTERNAL AUDIT ANNUAL REPORT 2012 - 2013

Internal Audit has the responsibility of providing the Audit Committee with an Annual Report that comments on the duties and audits undertaken by the section throughout the financial year. The annual Internal Audit report and the allocation of expended audit days for 2012 – 2013 was before the Committee for consideration.

Decision

Approved the Internal Annual Audit Report for 2012 – 2013.

(Reference: Report by Chief Internal Auditor dated 11 June 2013, submitted)

9. ANNUAL REPORT BY AUDIT COMMITTEE 2012 - 2013

In compliance with the CIPFA Code of Practice for Internal Audit in Local Government (the Code) a draft annual Audit Committee report has been prepared. The report from the Chairman and Vice Chair summaries the work of the Audit Committee during the year and outlines its view of the Council’s internal control framework, risk management and governance arrangements and

was before the Committee for consideration.

Decision

Noted and approved the contents of the report and appendix including revisions to the Audit Committee Terms of Reference for submission to the Council with the addition of a bullet point under Key Activities “In addition, the Committee will submit highlight reports to the Council as appropriate”.

(Reference: Report by Chief Internal Auditor dated 23 May 2013, Draft Annual Report by Audit Committee 2012 – 2013 and Amended Audit Committee Terms of Reference 2013 - 2014, submitted)

10. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2013 - 2014

An interim progress report covering the audit work performed by Internal Audit as at 24 May 2013 was considered.

Decision

Approved the progress made with the Annual Audit Plan for 2013 – 2014.

(Reference: Report by Chief Internal Auditor dated 29 May 2013, submitted)

11. EXTERNAL AND INTERNAL REPORT FOLLOW UP 2012 - 2013

Internal Audit documents 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 30 April 2013 was considered.

Decision

Noted and approved the contents of the report.

(Reference: Report by Chief Internal Auditor dated 11 June 2013, submitted)

12. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2012 - 2013 & 2013 - 2014

A report detailing final reports, summaries and action plans (where applicable) from recent audits was considered.

Decision

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

- (a) Chief Executive’s Unit – Revenue Budget Monitoring and Control
- (b) Chief Executives – Improvement & HR – Review of Payroll
- (c) Chief Executive’s Unit, Improvement and HR – Review of Resourcelink
- (d) Customer and Support Services – Unified Benefits, Department of Work and Pensions Guidance, Counter Fraud Compliance

- (e) Revenues Team – Review of Income: Council Tax
- (f) Revenues Team – Review of Income: Non-Domestic Rates
- (g) Customer and Support Services – Review of Income – Cash/Revenues Team
- (h) Review of Year-End Stock

(Reference: Report by Chief Internal Auditor dated 7 June 2013, submitted)

13. NATIONAL FRAUD INITIATIVE (NFI) - NATIONAL EXERCISE 2012/13

A report providing the current position regarding the Accounts Commission – Audit Scotland NFI exercise for 2012/13 was considered.

Decision

Noted the contents of the report which will be followed up by Internal Audit.

(Reference: Report by Chief Internal Auditor, submitted)

14. STRATEGIC RISK MANAGEMENT UPDATE

A reporting setting out options for consideration on how the Audit Committee can use the Strategic Risk Register and risk management to discharge its role was considered along with an update on risk management activity. The report asked the Committee to review these options and agree a way forward which officers can develop in more detail for September. It also asked the Committee to consider how it would like risk management to be reported to it in the future.

A report setting out the updated Strategic Risk Register was also before the Committee for consideration and Members were asked to note this and provide any comments for consideration at the Council on 27 June 2013.

Decision

1. The Audit Committee welcomed and endorsed the proposals as outlined at sections 3.14 – 3.15 and 3.21 of the submitted report.
2. The Audit Committee noted the progress updates in the summary of risk management activity as outlined in report.
3. The Audit Committee noted with approval the updated Strategic Risk Register and looked forward to receiving further evidence of the Council aligning its programmes and priorities with those identified in the updated register.

(Ref: Reports by Head of Strategic Finance dated 14 and 17 June 2013, submitted)

15. UNAUDITED ACCOUNTS 2012 - 2013

The Committee considered a report on the unaudited 2012 – 2013 Annual Accounts which will be presented to the Council on 27 June 2013.

Decision

Noted the unaudited 2012 – 2013 Annual Accounts.

(Reference: Report by Head of Strategic Finance and Unaudited Accounts for the period 1 April 2012 – 31 March 2013, submitted)

16. REVIEW OF ADEQUACY OF THE INTERNAL AUDIT SERVICE 2012/2013

Audit Scotland's Code of Audit Practice (the Code) sets out the wider dimension of public sector audit. The Code requires external auditors to carry out an annual assessment of the adequacy of the internal audit function. A report advising of completion of this annual assessment and the areas of internal audit work that Audit Scotland plan to review was considered.

Decision

Noted the contents of the report which will be followed up by Internal Audit.

(Reference: Letter from Audit Scotland dated 4 March 2013, submitted)

ARGYLL AND BUTE COUNCIL
Audit Committee**Customer Services****27 September 2013**

Business Continuity Update

1.	SUMMARY	
	1.1	On completion of the Council's review of its Business Continuity processes, a report was brought to the Audit Committee on 21 September 2012, to advise them of the outcome of the review.
	1.2	The Audit Committee requested that a report regarding staff taking ownership of Business Continuity Planning, as referred to in paragraph 10.3.1 of the above report, be brought back to the September 2013 meeting of the Audit Committee.
2.	RECOMMENDATIONS	
	2.1	The Audit Committee note the terms of the report.
3.	DETAIL	
	3.1	The review of Business Continuity arrangements within the Council was completed in July 2012 and this resulted in 114 critical activity recovery plans (CARP's) being drawn up. Community Services – 100 (including all 78 schools), D&I – 10, Customer Services – 2 and Chief Execs Unit – 2. The list of CARP's is attached at Appendix 1.
	3.2	All the CARP's have been completed and are contained within a share point site at http://helensburghsp.argyll-bute.gov.uk/hr/civilcontingencies/default.aspx
	3.3	Each CARP has an Officer identified as the owner of that CARP and each department has a named Officer responsible for ensuring that each of the owners reviews their CARP annually and that each CARP is updated at any point during the course of the year when changes in processes impact on the terms of the CARP.
	3.3	Corporately, the Strategic Risk Group, made up of senior officers within the Council has agreed a Business Continuity action plan for 2013/14. A copy of the updated plan is attached at Appendix 2.
	3.4	To date, a programme requiring an annual review of each of the CARP's has been agreed and the progress of completing the reviews over the year will be monitored in pyramid and shown on the service scorecards. Actions 1, 2 and 3 complete.
	3.5	The information available to local businesses and voluntary organisation has been reviewed and updated and is available on the Council's website at http://www.argyll-bute.gov.uk/business-and-trade/business-continuity

		The link to the website has been distributed to local businesses through the Business Gateway Team and to voluntary organisations through Argyll Voluntary Action. Actions 4 and 5 complete.	
	3.6	The process of developing a schedule of testing of the CARP's to coincide with testing by Civil Contingencies is on-going but may be dependent on the outcome of the review currently being undertaken by the Chief Execs Unit on how the Council will deliver that service in the future. Therefore the implementation date for action 6 may require to be reviewed.	
	3.7	Once the schedule for testing of the CARP's has been finalised, all the CARP owners will be required to attend a training day which will advise them on their responsibilities in terms of the CARP and its possible implementation.	
4.	CONCLUSION		
	4.1	Real progress has been made in ensuring that departments have taken ownership of each of the CARP's and responsibility for ensuring that they are reviewed and updated annually.	
5.	IMPLICATIONS		
	5.1	Policy	None
	5.2	Financial	Inability to respond to disruptive events may cause financial loss
	5.3	Legal	Requirement of Civil Contingencies Act 2004
	5.4	HR	Training will be undertaken for CARP owners
	5.5	Equalities	None
	5.6	Risk	See 5.2. and 5.7
	5.7	Customer Service	Ability to recover services quickly will ensure impact on customers will be lessened
6.	APPENDICES		
	6.1	List of CARP's	
	6.2	Strategic Risk Group – BC Action Plan	
<p>Douglas Hendry - Executive Director of Customer Services</p> <p>For further information contact: Iain Jackson 01546 604188</p>			

Critical Activity Recovery Plans (CARPs)

This appendix identifies the CARPs which have been completed as a result of the Business Continuity Review. It also confirms that there will be an annual review of each CARP, such reviews taking place over the course of the year.

Community Services has 100 CARP's

Adult Care – 5 carps

Children and Families – 10 carps

Community and Culture – 7 carps

Education – 78 carps

Carps which will be reviewed in quarter 2

Service	Carp	Number of carps	Carp owner
Children and Families	Criminal Justice	5	Jon Belton
Adult Care	Learning Disability	1	Jim Littlejohn
	Care at Home	1	Jim Littlejohn
	Operations	1	Jim Littlejohn
Community and Culture	Homelessness	7	Moira MacVicar
Total		15	

Carps which will be reviewed in quarter 3

Service	Carp	Number of carps	Carp owner
Children and Families	Residential Units	3	Shellach View – Mathew Lane Dunclutha – Alice McCorquodale East King Street – Lisa Wilson
	Operations	1	Mark Lines
	Family Placement / Fostering	1	Alex Taylor
Adult Care	Residential	1	Jim Littlejohn
	Telecare	1	Jim Littlejohn
Education	MAKI and OLI schools	52	Head teachers
Total		59	

Carps which will be reviewed in quarter 4

Service	Carp	Number of carps	Carp owner
Education	H&L and B&C schools	26	Head teachers
Total		26	

Chief Execs Unit has 2 carps and both will be reviewed in quarter 1

Service	Carp	Number of Carps	Carp owner
Strategic Finance	Treasury Management	1	Peter Cupples
I&HR	Communications	1	Communications Manager

Customer Services has 2 carps and both will be reviewed in quarter 1

Service	Carp	Number of Carps	Carp owner
Governance and Law	Elections	1	Shirley MacLeod
	Litigation	1	Susan Mair

Development and Infrastructure Services has 10 carps and all will be reviewed in quarter 1

Service	Carp	Number of Carps	Carp owner
P&R	Animal Health	1	Alan Morrison
	Food Health and Safety	1	Alan Morrison
	Product Safety	1	Alan Morrison
	Public Health and Infectious Diseases	1	Alan Morrison
	Petroleum	1	Alan Morrison
	Dangerous Buildings	1	Martin Matheson
	Provision of ferry services	1	Martin Gorringe
R&A	Emergency Road defects	1	Graham Brown
	Winter maintenance Service	1	Graham Brown
	Fallen and dangerous trees	1	Tom Murphy

Strategic Risk Group – Business Continuity Action Plan 2013/14

Topic	Outcome	Action Required	Timescale	Responsible Officer(s)	Current Status
Business Continuity	All CARP's are reviewed and updated by services on an annual basis	Programme of review agreed	30 May 2013	Iain Jackson	Complete
Business Continuity	CARP's in place for all schools	CARP's finalised per draft produced for schools	30 June 2013	Susan Tyre	Complete
Business Continuity	All CARP's completed	Review of content of CARP's to ensure fit for purpose	31 August 2013	Iain Jackson Ernie Brown Helen Thornton Lesley Sweetman	Complete
Business Continuity	Business Continuity promoted within businesses and voluntary organisations	Review information available on website and amend where appropriate	31 August 2013	Iain Jackson	Complete
		Prepare leaflet for distribution to businesses and voluntary organisations	31 August 2013	Iain Jackson	Complete
Business Continuity	Programme for testing of selected CARP's in place	Develop schedule of testing to coincide with	30 September 2013	Iain Jackson Carol Keeley	On target but may be delayed.

Appendix 2

		testing by Civil Contingencies colleagues			
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**ARGYLL AND BUTE COUNCIL
IMPROVEMENT AND HR**

**AUDIT COMMITTEE
20 SEPTEMBER 2013**

**AUDIT SCOTLAND REPORTS – COMMUNITY PLANNING AND HEALTH
INEQUALITIES**

1 INTRODUCTION

- 1.1 Audit Scotland has this year issued national reports on Improving Community Planning and Health Inequalities in Scotland. The Audit Committee considered a report at the June Audit Committee and agreed that a further management report would be submitted in September in respect of progress in relation to the two Audit Scotland National Reports on Health Inequalities and Improving Community Planning.
- 1.2 This report updates the Audit Committee on the progress that is being made toward implementing the recommendations in the national reports.

2 RECOMMENDATION

- 2.1 That the Audit Committee notes the progress that is being made and that the recommendations identified by the national report and quality assurance process will be integral to the development of the Argyll and Bute Single Outcome Agreement.

3 DETAIL

3.1 Improving Community Planning

As reported to the June Audit Committee, the Argyll and Bute Single Outcome Agreement (SOA) was changed significantly from its initial draft, following the publication of the 2011 census which identified Argyll and Bute as the local authority with the highest rate of depopulation and exhibiting a higher than average rate of aging.

- 3.2 The Community Planning Partnership revised the SOA to address this strategic issue and the SOA has subsequently been approved by Council agreed by the Scottish Government. The Quality Assurance process by the Scottish Government resulted in recognition by them that the significance of our depopulation presents real challenges to the Argyll and Bute CPP and must be addressed carefully. A timetable of further activities was agreed to develop the detail of the SOA before it becomes a finalised, measureable document. The Scottish Government have noted that:

The SOA has a strong and coherent structure, highlighting a commitment to focus on priorities over both medium-term (3

year) and long-term (10 year) horizons.

3.3 The Argyll and Bute SOA has an overall objective as follows:

Argyll and Bute's economic success is built on a growing population.

This is supported by 6 long term outcomes:

In Argyll and Bute:

- The economy is diverse and thriving.
- We have infrastructure that supports sustainable growth.
- Education, skills and training maximises opportunities for all.
- Children and young people have the best possible start.
- People live active, healthier and independent lives.
- People live in safer and stronger communities.

Each of these outcomes will be driven by an outcome lead, who will be responsible for putting in place the mechanism for delivering on these outcomes and will be accountable for their delivery.

3.4 In terms of the Audit Scotland report, 5 areas were identified for improvement:

These areas are:

- leadership
- improving governance and accountability
- establishing clear priorities for improvement and using resources more effectively
- putting communities at the heart of community planning and public service reform
- supporting CPPs to improve their skills and performance.

As part of the next stage of SOA development, the ABC Community Planning partnership will be using these improvement areas as core guidance and notes that they are recognised in the development plan in place and agreed with the Scottish Government.

3.5 **Health Inequalities in Scotland**

Tackling health inequalities in Argyll and Bute is a priority for the Community Planning Partnership and is integral to the SOA. In collating a response to the recommendations contained in the Audit Scotland National Report earlier in 2013, it was evident that improvements could be made to the cross partnership management and reduction of health

inequalities. This was highlighted in the response from the Scottish Government to the partnership's Single Outcome Agreement submission.

3.6 The Quality Assurance agreement with the Scottish Government identifies the following area for action:

- ***Inequalities and prevention:*** *The CPP recognises that it needs to develop and more clearly demonstrate how it will take forward efforts on reducing inequalities and on prevention. In particular, the CPP should set out how it will address distinctive demographic challenges facing its communities, including population dispersion and isolation, but also key needs facing its larger settlements*

3.7 The agreed action plan sets out the following:

Area for Improvement	Improvement Activity	Timescale
Inequalities and prevention	<ul style="list-style-type: none"> • Process agreed for development of inequalities and prevention plans. 	September 2013
	<ul style="list-style-type: none"> • Community engagement activity carried out as part of development of SOA delivery and action plan to improve understanding of inequalities. 	January 2013
	<ul style="list-style-type: none"> • Activity targeted at prevention and inequalities identified through development of SOA delivery and action plans. 	February 2014
	<ul style="list-style-type: none"> • Development of SOA delivery and action plans identifies prevention activity and area and partner level. 	February 2014
	<ul style="list-style-type: none"> • Prevention and inequalities plans agreed through process of development of SOA delivery and action plans. 	March 2014
	<ul style="list-style-type: none"> • Arrangements for measurement and monitoring of prevention plan and inequalities plan established following development of SOA delivery and action plans. 	May 2014

3.8 The Single Outcome Agreement will therefore prioritise the issues raised in addressing health inequalities as an integral element of two outcomes for Argyll and Bute:

- Children and young people have the best possible start
- People live active, healthier and independent lives.

3.9 Complementing this is the commitment in the SOA to tackling inequalities:

- economic
- geographical
- health

3.10 The Community Planning Partnership Chief Officer Group will meet in September to agree the processes for development of the Inequalities and prevention plans. This will take account of the detailed recommendations in the Audit Scotland report.

3.11 As outlined above, the approach that is being taken by the Argyll and Bute Community Planning Partnership to deliver on the Single Outcome Agreement is to embed accountability and delivery of outcomes with Outcome Leads. The outcome leads for the two outcomes that address health inequalities will be putting in place a clear and measurable plan to ensure that there is delivery on tackling health inequalities by the partnership.

4 CONCLUSION

4.1 Progress is being made by the Community Planning Partnership in implementing the improvements recommended by the two national audit reports. However detailed work is still to be implemented to demonstrate that this has been put in place, which will be evident once the SOA development and improvement work is completed.

5 IMPLICATIONS

5.1	Policy	In delivering on the 6 outcomes in the SOA, there may be a requirement for policy changes to be implemented
5.2	Financial	None
5.3	Personnel	None
5.4	Legal	The Council has a duty to facilitate Community Planning
5.5	Equal Opportunities	The SOA complies with the Equality Act 2010
5.6	Customer Service	None
5.7	Risk	There is a strategic risk to the council in relation to ongoing population decline.

Jane Fowler, Head of Improvement and HR
Tel: 01546 604466

ARGYLL & BUTE COUNCIL**AUDIT COMMITTEE****DEVELOPMENT &
INFRASTRUCTURE SERVICES****20 SEPTEMBER 2013**

AUDIT SCOTLAND REPORT – ‘MAINTAINING SCOTLAND’S ROADS’

1. SUMMARY

- 1.1 On 17 May 2013 the Accounts Commission published its report Maintaining Scotland’s Roads; an audit update on Council’s progress. The 2013 report provides detail on how Councils across Scotland have responded to recommendations from the report dated February 2011 Maintaining Scotland’s Roads, a follow up report. Both the 2011 and 2013 reports provide progress reports on the original document published in November 2004.
- 1.2 This report also details the actions this Council is taking towards the recommendations of the 2013 report.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Audit Committee:
- Notes the actions the Council is taking towards the recommendations from the ‘Maintaining Scotland’s Roads’ report and;
 - Notes the Audit Scotland report.

3. DETAILS

- 3.1 Appendix 1 to this report tabulates the five conclusions and recommendations contained in Audit Scotland’s report and details the actions the Council are taking to achieve the recommendations contained in the Audit Scotland report.
- 3.2 The report ‘Maintaining Scotland’s Roads’ is welcomed. The Council’s strategic approach to roads maintenance aligns with the recommendations contained in Audit Scotland’s report. The Councils Annual Status and Options Report, the first edition of which will be reported to Council in October will report the Councils roads maintenance performance.
- 3.3 The report from Audit Scotland attached at Appendix 2 details progress since the 2011 report and sets out five conclusions and recommendations.

4. CONCLUSION

- 4.1 This report introduces the Audit Scotland report 'Maintaining Scotland's Roads' 2013 and provides detail on how Councils across Scotland have responded to recommendations from the report dated February 2011 'Maintaining Scotland's Roads', a follow up report.
- 4.2 This report also provides details of the actions this Council are taking to achieve the conclusions and recommendations contained in the Audit Scotland report 2013.

5. IMPLICATIONS

5.1	Policy	As contained within the paper
5.2	Financial	As contained within the paper
5.3	Legal	None
5.4	HR	None
5.5	Equalities	None
5.6	Risk	As contained within the paper
5.7	Customer Services	None

6. APPENDICES

- Appendix 1 – Council actions towards the recommendations contained in the Audit Scotland Report
- Appendix 2 - Maintaining Scotland's Roads - An audit update on councils' progress

Executive Director of Development and Infrastructure
September 2013

For further information contact: Jim Smith, Head of Roads & Amenity Services, Tel 01546 604324

AUDIT SCOTLAND’S REPORT – ‘MAINTAINING SCOTLAND’S ROADS’

CONCLUSIONS AND RECOMMENDATIONS AND THE ACTIONS THAT ARGYLL AND BUTE ARE TAKING

<p style="text-align: center;">Audit Scotland 5 Conclusions and Recommendations</p>	<p style="text-align: center;">Actions Argyll and Bute Council are taking</p>
<p>1 <i>The percentage of local roads in acceptable condition has increased marginally from 66.1 to 66.7 per cent over the last two years, despite a reduction in roads maintenance spending from £492 million in 2009/10 to around £400 million in 2010/11 (a 21 per cent reduction in real terms).</i></p>	<ul style="list-style-type: none"> • Selecting treatments that are proportionate and align with the Council’s Roads Maintenance and Management Strategy and are designed to deliver a recovery strategy. • Delivering the roads service through a mixed economy model of in house, term contracts and partnership contracts. • In line with the Roads Asset Management & Maintenance Strategy and the Council’s Corporate Asset Management & Capital Plan, the Council at its Annual Budget Meeting on 14 February 2012, increased the capital budget provision by approximately 60% to £21M over 3 years. A further £1.2M was also allocated by Council earlier this financial year. This allows the Council to deliver a 3 year recovery programme which is developed in a holistic way complementary to the strategy and also ensuring that we are spending money wisely, in line with the strategy.
<p>2 <i>The national roads maintenance review has resulted in a detailed action plan to improve roads maintenance activity and we acknowledge that considerable activity has taken place. However, there is scope to accelerate the implementation of our 2011 recommendations to improve the management of roads maintenance. For Example:</i></p> <ul style="list-style-type: none"> • <i>Despite our recommendation that all councils should have</i> 	<ul style="list-style-type: none"> • The Council has an on-going review of the Councils Roads Asset Management Plan. • The Councils existing Roads Maintenance and Asset Management Plan (RAMP) for the Road Network was developed and adopted in 2004 following the publication of Well Maintained Highways and has been adapted over time

AUDIT SCOTLAND'S REPORT – 'MAINTAINING SCOTLAND'S ROADS'

CONCLUSIONS AND RECOMMENDATIONS AND THE ACTIONS THAT ARGYLL AND BUTE ARE TAKING

roads asset management plans in place by the end of 2011, auditors reported that only half of councils had done this. While SCOTS has reported that all councils now have roads asset management plans in place, councils need to ensure that they are of sufficient quality and that they are monitoring them effectively.

- *Although councils are making more use of performance information and a common set of performance indicators has been agreed, they need to do further work to improve the quality and consistency of the data to enable meaningful benchmarking to take place.*

where required. In line with and informed by *Maintaining Scotland's Roads - a follow up report*, and the Council's Road Asset Management and Maintenance Strategy, the RAMP is being revised

- The Councils revised Asset Management Plan will be reported to Council in Autumn 2013.
- The Council are producing an Annual Status and Options Report which will be presented to Council in Autumn 2013 and the Audit Committee in December. The report is based on the template provided by SCOTS and details the maintenance backlog, road condition data, benchmarking information, projected road condition 'v' budget and performance data.
- Pyramid (The Council's Performance Management Reporting System) is used to monitor a number of routine road maintenance activities.
- Roads maintenance performance is reviewed monthly at Departmental level through a series of engagement meetings with Roads, Strategic Finance and Chief Officers.
- As set out within the Council's Strategy, the strategic focus has been to make improvements to the Council's strategic "A" road network which is essential for the economic wellbeing and the quality of life of its communities.
- The Council are producing and submitting Performance Indicators for SCOTS/APSE. These PIs will be reported

AUDIT SCOTLAND’S REPORT – ‘MAINTAINING SCOTLAND’S ROADS’

CONCLUSIONS AND RECOMMENDATIONS AND THE ACTIONS THAT ARGYLL AND BUTE ARE TAKING

	<p>through the Annual Status and Options Report.</p>
<p>3 <i>It is imperative that the national roads maintenance review is translated into more efficient roads maintenance and, ultimately, in improved roads condition. It has been two years since the review began and we consider that now would be an appropriate time to review progress and achievements to date. In particular, we recommend that councils, the Convention of Scottish Local Authorities (COSLA) and SCOTS should:</i></p> <ul style="list-style-type: none"> • <i>Continue to work with Transport Scotland to develop methodologies for evaluating the impact of the national roads maintenance review to date, with a view to further prioritising actions that are likely to have most impact on improving roads condition.</i> • <i>Continue to work with partners on the Roads Maintenance Strategic Action Group to produce a strategy for developing the best service and structural models to deliver roads maintenance.</i> 	<ul style="list-style-type: none"> • The Council is actively involved with SCOTS and Transport Scotland and progress with a view to translating the National Roads Maintenance Review into more efficient roads maintenance and improved road condition. • Progressing several initiatives that align with the recommendations of the National Roads Maintenance Review. • Monitoring roads maintenance and condition performance through monthly performance meetings and the evolving Annual Status and Options Report.
<p>4 <i>We also strongly recommend that individual councils continue to improve how they manage roads maintenance and value for money. Specifically they should:</i></p>	<ul style="list-style-type: none"> • The Council is revising its Roads Asset Management Plan which will be reported to Council in Autumn 2013.

AUDIT SCOTLAND’S REPORT – ‘MAINTAINING SCOTLAND’S ROADS’

CONCLUSIONS AND RECOMMENDATIONS AND THE ACTIONS THAT ARGYLL AND BUTE ARE TAKING

<ul style="list-style-type: none"> • <i>Formally adopt and implement roads asset management plans as a matter of urgency, filling any gaps that auditors have identified in plans.</i> • <i>Develop clear arrangements for monitoring the effectiveness of these plans, including setting out clear milestones and the officers responsible for delivering them.</i> • <i>Submit accurate and complete data to the SCOTS/Association for Public Sector Excellence (APSE) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE)/improvement Service performance indicators projects to allow consistent benchmarking to take place and unit costs to be established.</i> • <i>Continue to monitor the impact of changing levels of maintenance expenditure on the condition of their roads.</i> • <i>Respond actively to emerging guidance and other support intended to promote innovation and knowledge sharing across councils, and the consideration of shared services options.</i> 	<ul style="list-style-type: none"> • The Council is monitoring the impact of changing levels of maintenance expenditure through the Annual Status and options Report. • The Council is delivering the roads programmes through a mixed economy model of in house, partnership contract and traditional contractual arrangements. • The Council is submitting accurate and complete data to SCOTS/APSE, to managers and to Council. • The Council is working closely with Transport Scotland and its Term Contractor (BEAR), sharing programmes and co-ordinating works on the ground, and where possible sharing resources. • The Council’s Annual Status and Options Report monitors the impact of changing levels of maintenance expenditure on the condition of our roads. • Reports have been presented to Members detailing budgets and the percentage of the Roads Asset Management Plan that can be delivered for the budget.
<p>5 <i>Overall, while we recognise that councils are facing budget constraints, there is a need to increase the pace of progress in improving roads condition. We will therefore continue to monitor progress and report to the public in due course.</i></p>	<ul style="list-style-type: none"> • The Council has undergone a Service Review Process and has in place a robust Business Case regime together with the increased focus on Asset Management and Value Engineering which align with the National Roads Maintenance Review.

AUDIT SCOTLAND’S REPORT – ‘MAINTAINING SCOTLAND’S ROADS’

CONCLUSIONS AND RECOMMENDATIONS AND THE ACTIONS THAT ARGYLL AND BUTE ARE TAKING

	<ul style="list-style-type: none">• The Council is producing an Annual Status and Options Report which reports on the Council’s progress and performance regarding roads maintenance.
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Maintaining Scotland's roads

An audit update on councils' progress



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
May 2013



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 33 joint boards and committees.

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.

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Introduction

1. Safe, well-maintained transport links are vital to Scotland's economic prosperity and well-being. Roads play a significant part in everyday life. Well-maintained roads are important for individuals and businesses, and can contribute to fewer road accidents, reduced congestion, shorter journey times and lower vehicle maintenance costs.¹
2. In February 2011, we published *Maintaining Scotland's roads: A follow-up report*. This was a joint report with the Auditor General. The report examined progress on implementing the recommendations of our previous report on roads maintenance, published in November 2004.²
3. In relation to council-maintained, or local, roads, our 2011 report found the following:
 - The condition of local roads had worsened, with 66 per cent of classified roads being in acceptable condition in 2010 compared to 70 per cent in 2005.
 - Councils spent £492 million on local roads maintenance in 2009/10. This represented a reduction of £76 million (13 per cent) on 2004/05 levels after taking roads construction inflation into account.
 - The cost of fixing roads defects was increasing. Councils estimated it would cost £1.54 billion to fix all carriageway defects in 2010, £554 million more, allowing for inflation, than in 2004.
 - Councils had made limited progress since the 2004 report in improving how they managed roads maintenance. For example, fewer than half of councils were reporting their maintenance backlog to elected members and a third had still to develop roads asset management plans.
4. The report's findings, together with public sector spending constraints, suggested that radical change was required to halt the decline in roads condition and improve value for money from roads maintenance activity. Our recommendations included the following:
 - The Scottish Government should consider a national review of how the road network is managed and maintained, with a view to developing new ways of providing services and increasing the potential for shared services.
 - Transport Scotland and councils should work together to consider all opportunities for achieving more with the resources currently available. This included exploring new ways of working, the pooling and flexible use of resources, such as staff and equipment, and partnerships between councils and with the private sector.

¹ *Economic, Environmental and Social Impact of Changes in Maintenance Spend on Roads in Scotland*, Transport Research Laboratory for Transport Scotland, July 2012.

² *Maintaining Scotland's roads*, Accounts Commission and the Auditor General for Scotland, November 2004.

- Councils should:
 - have a roads asset management plan in place no later than the end of 2011
 - ensure they can demonstrate they are making the best use of resources currently available, through benchmarking and improved management and reporting
 - adopt the performance indicators being developed by the Society of Chief Officers of Transport in Scotland (SCOTS) as a first step in allowing the relative performance of councils' roads maintenance activities to be measured consistently.
- 5. During 2012, we asked the local auditors for each council to examine how it had responded to the recommendations in our 2011 report. This audit update is based primarily on the results of the auditors' reviews. We also carried out some additional work including interviewing representatives from SCOTS and considering aspects of the national roads maintenance review.³ We expect councils to have made further progress since auditors carried out their reviews, but we consider that this update provides a useful indication of overall progress since our 2011 report.

³ See [Appendix 1](#) for details of the national roads maintenance review.

Conclusions and recommendations

6. The percentage of local roads in acceptable condition has increased marginally from 66.1 to 66.7 per cent over the last two years, despite a reduction in roads maintenance spending from £492 million in 2009/10 to around £400 million in 2010/11 (a 21 per cent reduction in real terms).
7. The national roads maintenance review has resulted in a detailed action plan to improve roads maintenance activity and we acknowledge that considerable activity has taken place. However, there is scope to accelerate the implementation of our 2011 recommendations to improve the management of roads maintenance. For example:
 - Despite our recommendation that all councils should have roads asset management plans in place by the end of 2011, auditors reported that only half of councils had done this. While SCOTS has reported that all councils now have roads asset management plans in place, councils need to ensure that they are of sufficient quality and that they are monitoring them effectively.
 - Although councils are making more use of performance information and a common set of performance indicators has been agreed, they need to do further work to improve the quality and consistency of the data to enable meaningful benchmarking to take place.
8. It is imperative that the national roads maintenance review is translated into more efficient roads maintenance and, ultimately, in improved roads condition. It has been two years since the review began and we consider that now would be an appropriate time to review progress and achievements to date. In particular, we recommend that councils, the Convention of Scottish Local Authorities (COSLA) and SCOTS should:
 - continue to work with Transport Scotland to develop methodologies for evaluating the impact of the national roads maintenance review to date, with a view to further prioritising actions that are likely to have most impact on improving roads condition
 - continue to work with partners on the Roads Maintenance Strategic Action Group to produce a strategy for developing the best service and structural models to deliver roads maintenance.⁴
9. We also strongly recommend that individual councils continue to improve how they manage roads maintenance and value for money. Specifically they should:
 - formally adopt and implement roads asset management plans as a matter of urgency, filling any gaps that auditors have identified in plans

⁴ See [Appendix 2](#) for details of the Roads Maintenance Strategic Action Group.

- develop clear arrangements for monitoring the effectiveness of these plans, including setting out clear milestones and the officers responsible for delivering them
 - submit accurate and complete data to the SCOTS/Association for Public Sector Excellence (APSE) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE)/Improvement Service performance indicators projects to allow consistent benchmarking to take place and unit costs to be established
 - continue to monitor the impact of changing levels of maintenance expenditure on the condition of their roads
 - respond actively to emerging guidance and other support intended to promote innovation and knowledge sharing across councils, and the consideration of shared services options.
10. Overall, while we recognise that councils are facing budget constraints, there is a need to increase the pace of progress in improving roads condition. We will therefore continue to monitor progress and report to the public in due course.

Progress since our 2011 report

The condition of local roads has marginally improved since 2010 despite a fall in roads maintenance spending

11. Spending on roads maintenance includes all work on roads other than major new-build or reconstruction work. It includes structural maintenance, safety, weather and winter maintenance, lighting, emergency patching and routine repairs. The amount of money spent on roads maintenance can therefore be influenced by factors such as:
 - the severity of the weather
 - the choice of road surface treatments, for example, surface dressing rather than extensive resurfacing.
12. As a result, annual variation in spend is not necessarily reflected in significant changes to the condition of the road network. However, there are potentially significant consequences if roads maintenance activity is reduced by too much. An example is research by the Transport Research Laboratory (TRL). Based on different expenditure scenarios, this has found that every £1 reduction in local roads maintenance spend could result in a cost of between £1.67 and £1.76 to the wider Scottish economy. The added costs reflect factors such as increased vehicle fuel consumption, more wear and tear and more skid-related accidents.⁵
13. SCOTS carried out a survey of council spending on roads maintenance as part of the national roads maintenance review. SCOTS reported gaps and inconsistencies in the data provided by councils, which meant it was impossible to identify accurately the total spend on roads maintenance. However, it estimated that councils spent no more than £400 million on roads maintenance in 2010/11.⁶ Compared to the £492 million roads maintenance expenditure that we reported for 2009/10, this represents a 21 per cent reduction when adjusted for general inflation and a 23 per cent reduction when adjusted for roads construction inflation. In general terms, SCOTS attribute the reduction to a combination of higher than normal spending on winter maintenance activities in 2009/10 due to the severe weather conditions, and to budget cuts in 2010/11.
14. Despite the apparent reduction in roads maintenance expenditure, the latest roads condition data shows that the condition of Scotland's local roads has marginally improved in the last two

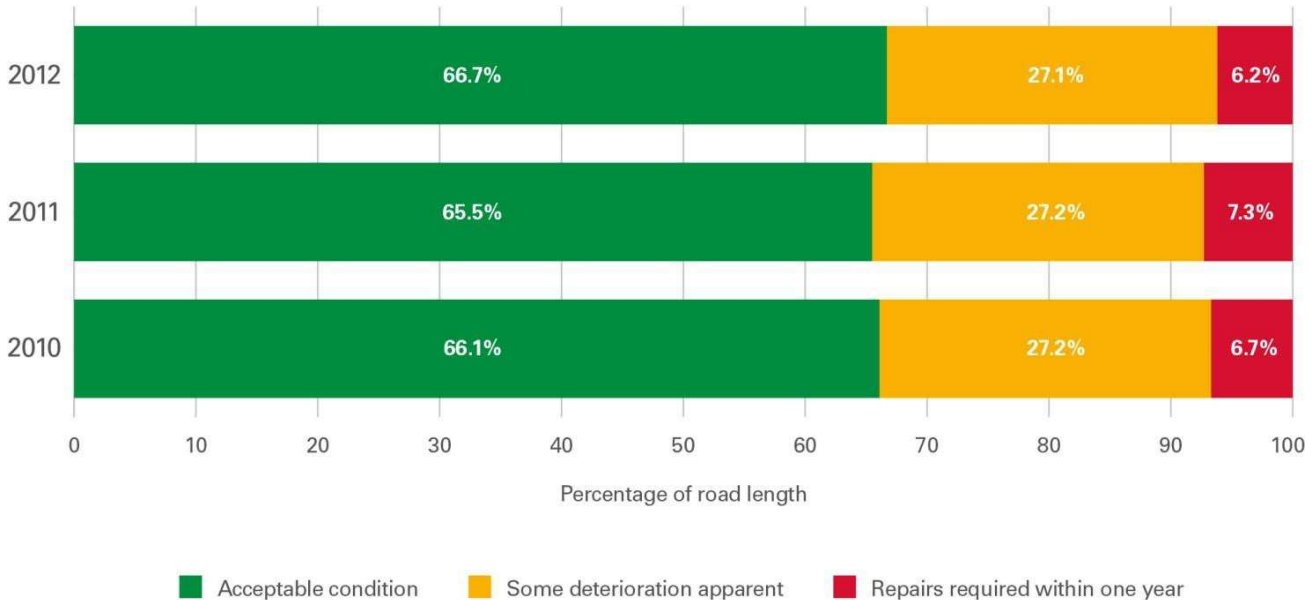
⁵ *Economic, Environmental and Social Impact of Changes in Maintenance Spend on Roads in Scotland*, Transport Research Laboratory for Transport Scotland, July 2012.

⁶ *Option 30 report. National Roads Maintenance Review Phase 3*, Option 30 Task Group, June 2012. The total maintenance spend figure is an estimate based on survey returns from 23 councils.

years.⁷ We reported that 66.1 per cent of local classified roads were in acceptable condition in 2010. This figure has improved slightly to 66.7 per cent in 2012 (Exhibit 1). Overall, however, the percentage of local classified roads in acceptable condition in 2012 is still lower than it was in 2005 (69.6 per cent).⁸

Exhibit 1

How the condition of local classified roads has changed since our 2011 report



Note: The roads condition survey data is derived from the results of the two most recent surveys, for example the 2012 results in exhibit 1 are based on data for 2011 and 2012. Rather than simply averaging the results from each year, the data collected over the two years is analysed as a single set.

Source: *Scottish Roads Maintenance Condition Survey 2012*, reported by SCOTS, March 2013

15. While SCOTS considers the latest roads condition results to be a significant achievement, council payments to compensate drivers for pothole damage have risen, from around £340,000 in 2007/08 to £1.2 million in 2011/12. Currently councils do not capture public perception of roads condition on a consistent basis however this is an area being taken forward as part of the national roads maintenance review. A number of roads user surveys, although limited in scope, indicate that the public has concerns about the condition of Scotland's roads. For example:

- Forty-five per cent of local roads users in Scotland consider roads condition to be poor, very poor or terrible, the worst rate in the UK.⁹

⁷ Roads condition data is collected annually through the Scottish Roads Maintenance Condition Survey (SRMCS) which is organised by SCOTS. The SRMCS uses specialised vehicles travelling at normal speed to assess the surface condition of the local roads network. Vehicles collect information on road gradient and shape; evenness of the ride; cracking; texture and deterioration.

⁸ SRMCS data has been collected since 2002; however sophisticated analysis is only available from 2004/05.

⁹ AA survey of 23,000 roads users, conducted in January 2013.

- Scotland is perceived to have more potholes per mile than any other region in the UK, and more worn or faded roads markings.¹⁰
- Drivers in Scotland are more likely to report pothole damage, with 44 per cent saying their cars had been damaged at some point over the last two years.¹¹

Councils need to do more work to develop roads asset management plans

16. Councils need clear roads asset management plans for managing their roads to ensure they meet service standards and achieve good value for the money they spend on maintaining roads. A good quality roads asset management plan:
 - describes the assets forming the roads network and their condition
 - assesses the future demand likely to be placed on the network
 - clearly describes the level of service the council will provide to maintain the network
 - provides financial information, including a long-term prediction of the cost of managing and operating the roads network.
17. We recommended that councils should have roads asset management plans in place by December 2011. From the information provided by auditors last year, about half of councils had a published or approved roads asset management plan, or an equivalent document, by the target date. Most other councils had draft plans prepared, with most of these due to be finalised during 2012 or 2013. SCOTS report that all councils now have a roads asset management plan in place.
18. There is scope to improve the quality of roads asset management plans and the monitoring of progress against them. Half of the auditors reported gaps in council information, including incomplete or unreliable asset inventory data, incomplete asset lifecycle plans and a lack of detailed long-term funding requirements.
19. Many councils have developed improvement plans to support their overall roads asset management activities. These plans can play a useful role in improving how councils manage roads maintenance activities, so it is important that clear systems are in place to help councils monitor how they are delivering these plans. Only a few auditors reported that adequate arrangements were in place for monitoring how councils were implementing improvement plans.¹² In other councils, it is unclear how progress against asset management plans is being monitored.
20. SCOTS has taken forward a project over the last four years to provide training and guidance to help councils develop their asset management plans. It is important for councils to continue to take advantage of this project as it moves forward. It is also important that councils have

¹⁰ Streetwatch survey, conducted by AA Streetwatch volunteers in October 2012.

¹¹ AA survey of 23,000 roads users, conducted in January 2013.

¹² Angus, Clackmannanshire, City of Edinburgh, East Renfrewshire, Glasgow City, Moray, Renfrewshire and Stirling councils.

clearly defined arrangements in place for monitoring their roads asset management plans, so that those responsible for actions can be held to account for delivering them.

Councils are making more use of performance information but need to do more work to allow meaningful benchmarking to take place

21. In our 2011 report, we noted that SCOTS were developing a suite of performance indicators to help councils manage their roads maintenance activities. These cover areas such as customer service, network condition and availability, and finance. We recommended that councils adopt these indicators to help create more consistency and to allow benchmarking to take place.
22. Last year auditors reported that about half of councils were using all, or most, of the SCOTS performance indicators, often supported by individual council indicators. Most of the remaining councils appeared to have been using the indicators developed by APSE to assess performance.
23. SCOTS and APSE have now agreed a common set of performance indicators covering all aspects of roads maintenance including carriageways, footways, lighting, structures and customer service ([Exhibit 2](#)). In December 2012, all councils submitted data to the joint SCOTS/APSE project.

Exhibit 2

A sample of SCOTS/APSE performance indicators for carriageways



Safety

- Percentage of Category 1 defects made safe within response times
- Percentage of safety inspections completed on time
- Percentage of network salted regularly



Condition/Asset preservation

- Percentage of carriageway length to be considered for maintenance treatment
- Percentage of carriageway length – surface dressed
- Percentage of carriageway length – fully reconstructed



Financial

- Total maintenance expenditure by carriageway length
- Cost per kilometre of planned/reactive/routine maintenance
- Cost per kilometre of winter maintenance treatment

Source: SCOTS/APSE, 2012

24. In March 2013, SOLACE and the Improvement Service launched a new benchmarking framework covering seven main council service areas. Four out of the 55 high-level performance indicators contained in the framework are roads related.¹³ The development of the SCOTS/APSE and the SOLACE/Improvement Service performance indicators is a welcome and positive step.
25. To allow meaningful benchmarking to take place, it is vital that councils generate consistent performance information. SCOTS has acknowledged that some councils have still to develop systems to allow them to produce accurate data returns. More work also needs to be done to improve the quality of financial data that will allow councils to calculate unit costs. To help councils make the necessary data improvements, SCOTS has established benchmarking groups to help remove inconsistencies in the way councils produce and report data, and also to promote best practice.¹⁴

The national roads maintenance review is progressing but it will take time to result in significant new ways of working

26. The Scottish Government and councils established a steering group in March 2011 to carry out the national roads maintenance review ([Appendix 1](#)). The group published the final report on its work in July 2012, setting out 30 actions, referred to as options. It estimated that these would deliver up to ten per cent efficiency savings through innovative practice, collaborative working and sharing services between roads authorities.
27. Before finalising its report, the steering group identified the need for a more detailed assessment of the 'optimum arrangements for the management and maintenance of roads in Scotland' (known as Option 30). A separate Option 30 report, published in June 2012, concluded that current arrangements could be improved on and that all councils should explore sharing services in the short term.¹⁵ The report also considered that the benefits from setting up a new roads authority, or authorities, was likely to take longer to achieve. It stated that if the benefits of shared services were not realised as anticipated in the short term, work on exploring structural change should be accelerated.
28. Progress against the 30 options is monitored by a newly formed Roads Maintenance Stakeholder Group ([Appendix 2](#)). Many of the options that the review identified reflect recommendations and other findings contained in our 2011 report. At the end of 2012, the Group reported that 20 of the options had either been, or were on track to be, implemented. These included:
- implementing asset management planning across all roads authorities
 - adopting the SCOTS suite of performance indicators
 - developing and applying consistent unit cost benchmarking methodology

¹³ ENV4a – cost of maintenance per kilometre of roads and ENV4b, ENV4c and ENV4d – percentage of class A, B and C roads that should be considered for maintenance.

¹⁴ The benchmarking groups are: Rural; Islands; Semi-Urban; Urban and Cities.

¹⁵ *Option 30 report. National Roads Maintenance Review Phase 3, Option 30 Task Group, June 2012.*

- delivering and adopting SCOTS recommended minimum levels of service for roads maintenance
 - establishing a Scottish Road Research Board to promote innovation and knowledge sharing across roads authorities.
29. The other ten options were either behind schedule or had not yet been implemented at the end of 2012. These included:
- introducing a lean management culture across the roads maintenance sector¹⁶
 - developing an overarching communication strategy that raises awareness of the value of roads maintenance
 - investigating ways to capture public perceptions in a cost effective way.
30. Auditors have also reported that individual councils have taken action to improve value for money from roads maintenance. Some of the initiatives considered by councils include:
- undertaking some form of service reconfiguration, such as changing organisational structures or shift patterns
 - establishing joint tendering arrangements with other councils, mainly for winter weather forecasting or minor maintenance work
 - undertaking either cost or performance benchmarking with other councils or the private sector.
31. The national roads maintenance review has also led to other initiatives being developed. In particular, SCOTS and Transport Scotland have recently formed a Shared Capacity and Shared Services Improvement Board to provide guidance and support to councils who wish to explore shared services options.¹⁷ While it will take time for significant changes to ways of working to be made, it is important that councils take advantage of this support, and that offered by other sources such as the Scottish Road Research Board, in considering how best to maximise value for money from their roads maintenance activities.

¹⁶ 'Lean management' refers to a recognised management technique which focuses on maximising process efficiency and customer value; that is, it seeks to eliminate wasteful and unnecessary processes.

¹⁷ See [Appendix 2](#) for details of the Shared Capacity and Shared Services Improvement Board.

Appendix 1

National Roads Maintenance Review

1. A key recommendation in our 2011 report was that the Scottish Government should consider a national review of arrangements for managing and maintaining roads, with a view to stimulating new ways of providing services. Ministers accepted this recommendation and the Scottish Government and councils established a steering group to direct the review. The steering group consisted of the following local and national stakeholders:
 - The Convention of Scottish Local Authorities (COSLA)
 - The Society of Local Authority Chief Executives and Senior Managers (SOLACE)
 - The Society of Chief Officers of Transport in Scotland (SCOTS)
 - The Scottish Road Works Commissioner (SRWC)
 - Transport Scotland.
2. The group was asked to consider how the roads maintenance sector can deliver efficiently managed roads within the budgets available, and identifying opportunities for innovation, collaborative working and sharing services.
3. The review took place in three phases between March 2011 and June 2012:
 - Phase 1 focused on gathering evidence and identified seven broad themes as a focus for change.¹⁸
 - Phase 2 built on these themes and developed 30 specific options to improve services.
 - Phase 3 sought to take action on the 30 options identified in Phase 2.
4. The steering group produced a report on each phase of the review and published the final report in July 2012.¹⁹

¹⁸ Effective asset management; Prioritisation; Benchmarking and monitoring; Delivery models; Incentivising innovation; Enabling faster change; and Communication.

¹⁹ *Final report, National Roads Maintenance Review*, Steering Group, July 2012.

Appendix 2

Remit of roads maintenance groups

1. Following publication of *Final report, National Roads Maintenance Review* in July 2012, Transport Scotland, SCOTS and others agreed to establish a number of groups to take forward its findings.

Roads Maintenance Strategic Action Group

2. The remit of the group is to:
 - oversee partnership working on roads maintenance
 - develop collaborative approaches on strategic issues
 - deliver the roads maintenance Strategic Framework for Change
 - oversee the Roads Maintenance Stakeholder Group and the Shared Capacity and Shared Services Improvement Board.
3. The group meets twice a year and is chaired by the Minister for Transport and Veterans, and COSLA. Membership also includes senior representatives from the following local and national bodies:
 - The Society of Local Authority Chief Executives and Senior Managers (SOLACE)
 - The Society of Chief Officers of Transport in Scotland (SCOTS)
 - The Scottish Road Works Commissioner (SRWC)
 - Transport Scotland
 - Improvement Service.

Roads Maintenance Stakeholder Group

4. The group's remit is to underpin the work of the Strategic Action Group. Specifically this includes:
 - ensuring that the 30 options from the national roads maintenance review are progressed
 - evaluating roads authorities' performance in implementing the actions, providing support where required and promoting good practice
 - advising the Strategic Action Group on important current and emerging aspects of road maintenance.
5. The group meets four times a year and is chaired by SCOTS. Membership also includes representatives from:
 - COSLA
 - Transport Scotland
 - Association for Public Service Excellence (APSE)

- SRWC
- roads user groups
- utility companies
- supply chain groups
- Audit Scotland (as an observer only).

Shared Capacity and Shared Services Improvement Board

6. The board's remit is to oversee the central resource (a project support office), which has been created to help develop shared services and skills in roads maintenance.
7. The board is chaired by the Improvement Service and is largely made up of representatives from SCOTS and Transport Scotland (three members each). The board also has representatives from:
 - SOLACE
 - Scottish Futures Trust
 - private partners who have substantial experience of shared arrangements.

Maintaining Scotland's roads

An audit update on councils' progress

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AUDIT ASSURANCE ON TREASURY MANAGEMENT

1 INTRODUCTION

- 1.1 This report sets out information around the arrangements in place relating to management controls and risk for treasury management. Its purpose is to provide assurance to the Audit Committee that appropriate arrangements are in place.

2 RECOMMENDATIONS

- 2.1 The report is noted.

3 DETAIL

- 3.1 Treasury Management is a complex area of the Council's activities with the potential for significant financial consequences and as a result there are key risk and management control issues. Recognising this and the Audit Committee's overall interest in management controls and risk this report has been prepared to give assurance to the Audit Committee that there are appropriate arrangements in place for managing the Council's treasury activities.

- 3.2 Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

- 3.3 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) was adopted by this Council on 24 June 2010. The primary requirements of the Code tailored to show how they are met in Argyll and Bute are as follows:

- a) The Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- b) The Council will receive reports on its treasury management policies,

practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after the end of the financial year, in the form prescribed in its TMPs.

- c) The Council has responsibility for the implementation and regular monitoring of its treasury management policies and practices and delegates responsibility for the execution and administration of treasury management decisions to the Head of Strategic Finance, who will act in accordance with the organisation's policy statement and TMPs and, CIPFA's Standard of Professional Practice on Treasury Management.
- d) The Council nominates the Performance Review and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- e) The Council nominates the Lead Councillor for Finance as the member responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3.4 The Audit Committee should be able to take assurance that the Council has appropriate management arrangements in place for its treasury activities based on the following:

3.4.1 Regulatory: The Council has adopted and complied with the Code of Practice and a review is carried out each year to ensure we continue to meet the requirements of the Code. The following TMPs are in place and reviewed annually: The TMPs can be revised with the agreement of the Head of Strategic Finance.

TMP 1 Treasury risk management

TMP 2 Best value and performance measurement

TMP 3 Decision-making and analysis

TMP 4 Approved instruments, methods and techniques

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

TMP 6 Reporting requirements and management information arrangements

TMP 7 Budgeting, accounting and audit arrangements

TMP 8 Cash and cash flow management

TMP 9 Money laundering

TMP 10 Staff training and qualifications

TMP 11 Use of external service providers

TMP 12 Corporate governance

3.4.2 Management: TMP 5 sets lines of responsibility, accountability and delegation in relation to treasury activities.

3.4.3 Reporting: The Council meets and exceeds the requirement to report to treasury management by

- Preparing an annual treasury and investment strategy (submitted to Council 21 March 2013)
- Submitting an annual report on treasury and investment activities (submitted to Council on 27 June 2013)

- Submitting a quarterly report on treasury activities to the Council as at end of June, September and December.

- 3.4.4 Member Involvement: The Lead Councillor for Finance is the nominated lead member for treasury management and receives copies of all reports on treasury management for scrutiny.
- 3.4.5 Training: Training requirements for officers are reviewed at quarterly review meetings with the treasury advisors. Officers also attend external training seminars arranged by the treasury advisors.
- 3.4.6 Internal Audit: Treasury activities are subject to regular review by internal and external audit. The Internal Audit Plan for 2013-14 includes 20 days for Internal Audit of Treasury Management. The audit is scheduled to take place in January 2014. During 2012-13 an internal audit of 10 days was undertaken and there were four recommendations. Two of these have been addressed. A copy of the action plan is attached as Appendix 1.
- 3.4.7 External Audit: The external audit has placed reliance on the work of Internal Audit and did not separately review treasury management during 2012-13.
- 3.4.8 Advisory Support: The Council is supported by Sector Treasury Services as its Treasury Advisors. Sector Treasury Services are part of the Capita group of companies. It is the largest provider of treasury advice to Councils in the UK. The Council reappointed Sector Treasury Services in March 2012 for a period of 3 years following a tendering exercise.
- 3.5 The section below outlines in summary terms how some of the key risks are managed:
- 3.5.1 Transactional Risks: Segregation of duties and in particular separation of initiator and approver roles and setting limits for individuals in terms of their delegated authority are key controls to transaction risks. There are regular reconciliation and cross checking of treasury records to act as a management/supervisory control.
- 3.5.2 Strategic Risks: There are quarterly reviews with the treasury advisors and review of economic and market data in between to assess the ongoing relevance of the agreed strategy.
- 3.5.3 Interest Rate Risk: Interest rate and market data is monitored daily and assessed in terms of any action the Council needs to consider or take. Triggers are set to prompt formal consideration of when to drawdown borrowing or reschedule debt etc.
- 3.5.4 Borrowing Risks: The borrowing portfolio is reviewed to avoid over exposure to too many loans maturing in any one period. There are also limits to balance the mix between fixed and variable rate loans. All borrowings are in sterling so there is no exchange rate exposure.
- 3.5.5 Investment Risks: The risk of counter parties is reviewed with the treasury

advisors and investments are made only within agreed policy. This sets down approved counter parties and agreed limits on amount and duration of investment. All investments are in sterling so there is no exchange rate exposure. The Council complies with the Scottish Government investment regulations. Changes and potential changes in counter parties credit status is monitored in order that action can be taken where required.

4 CONCLUSION

- 4.1 The report outlines the management arrangements and audit activities in place relating to the Councils treasury function. This could be used as the basis for an annual report to the Audit Committee to ensure it has sufficient information to be satisfied that risks and controls related to the Council's treasury activities are properly managed.

For further information please contact Bruce West, Head of Strategic Finance 01546-604220

Bruce West
Head of Strategic Finance
28 August 2013

APPENDIX 1

TREASURY MANAGEMENT ACTION PLAN 2012-13

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The Treasury Management Practices (TMP) document has been updated and re-issued August 2012 but includes a number of tables and references which are not complete.	Medium	The TMP document should be reviewed and revised to ensure all tables and references are appropriate and complete.	Finance Manager, Corporate Support	30/4/2013 Now complete
2	The Council's Constitution includes Treasury Management regulations within Part D, Financial Regulations, although this document requires review and update to reflect recent changes within the Council.	Medium	The Financial Regulations should be updated to reflect changes to Council committee roles and responsibilities implemented during 2012.	Head of Strategic Finance	31/5/2013 Wording for revised Financial Regulations agreed and prepared but awaiting submission of updated constitutional documents to Council.
3	Segregation of duties and a range of documents and tasks are currently included in draft operational guidance notes, but these are not yet comprehensive and complete to ensure consistency and accuracy.	Low	Treasury Management operational procedures and documents should be reviewed to ensure they are comprehensive, appropriate and efficient.	Finance Manager, Corporate Support	31/3/2013 Now complete
4	Steps are currently being taken to extend the range of users of the Logotech Public Sector Treasury Management System (PSTMS) and more fully utilise its functionality but operating	Medium	In association with the planned developments in the use of Logotech, system control procedures should be enhanced to include all end-to-end processes including the	Finance Manager, Corporate Support	30/4/2013 Now Complete

	procedures and controls are not documented.		authorisation and amendment of system users, standing data and system security back-up.		
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RISK MANAGEMENT UPDATE

1 SUMMARY

- 1.1 This report sets out the next steps in taking forward the approach agreed in June for the Audit Committee to discharge its role in relation to risk management. Working with Grant Thornton and CIPFA the Internal Audit Team will bring forward the relevant assessment, templates and proposals to the December meeting of the Audit Committee. Further information on the key issues/principles is set out below. An update on general risk management activity is also given.

2 RECOMMENDATION

- 2.1 The Audit Committee note the terms of this update and endorse the next steps as outlined in the report.

3 DETAIL**Embedding A Risk Based Approach To Audit**

- 3.1 At its meeting on 21 June the Audit Committee considered a report setting out options on how the Audit Committee could use the strategic risk register (SRR) and risk management to discharge its role and also how risk management issues could be reported to it in the future.
- 3.2 The Audit Committee agreed the following proposals and asked that officers bring forward more detail on these to the September meeting of the Audit Committee:
- The internal audit plan should be risk based and the risk assessment should take account of the SRR but also findings from previous audits, financial materiality, operational risks and previous performance levels.
 - A separate audit of risk management is included in the audit plan each year.
 - The Audit Committee sets aside time at one meeting each year specifically to review the SRR (at which the Chief Executive would attend) and from that identify issues to be factored into internal audit planning.
 - The format of internal audit reports is amended to specifically draw out any relevant comments, conclusions and action points in relation to risk management for the activity being audited.
 - Quarterly reports on progress with the internal audit plan identify any material changes in the risk environment and as a consequence any proposed variations to the internal audit plan.

- 3.3 The Audit Committee were also asked to consider the frequency and format of reporting on risk management. The general view was that it should move away from the current approach of being simply a quarterly update on risk management activity and focus more on the interest of the Audit Committee based on the points outlined in para 3.2 above.
- 3.4 Risk assessment should underpin the internal audit plan and the Audit Committee have agreed this should take account of the following factors: the SRR, findings from previous audits, financial materiality, operational risks and previous performance levels. The Internal Audit Team through their partnership with Grant Thornton and CIPFA has been reviewing the new standard on public sector internal audit. This has identified scope to improve and focus the methodology for risk assessment as part of audit planning. The Audit Committee have previously agreed they wish to consider the framework/guidance for the 2014-15 internal audit plan at the December meeting and then consider if the draft 2014-15 internal audit plan provides the Audit Committee with assurance that audit activity is targeted at key risks and controls at its March meeting. Working with Grant Thornton and CIPFA the Internal Audit Team will bring proposals on a revised risk assessment methodology to the December meeting along with a draft risk assessment based on that methodology to assist the Audit Committee in setting the framework for the draft internal audit plan to be submitted in March.
- 3.5 The Audit Committee agreed to set aside time at one meeting each year specifically to review the SRR and from that identify issues to be factored into internal audit planning. The Chief Executive has agreed to attend the meeting of the Audit Committee that will review the SRR. It is planned to review the SRR at the December meeting of the Audit Committee.
- 3.6 Whilst the Audit Committee had sight of the draft SRR in June for comment the Council has deferred consideration of the SRR until members have had the opportunity to review the draft SRR in detail at a members seminar. The SRR will also be reviewed on a quarterly basis as at end of September, December, March and June. Taking account of the above it is proposed to submit the SRR as revised to the December meeting of the Audit Committee. The Audit Committee can then consider the SRR in setting the framework/guidance for the 2014-15 internal audit plan. Any changes in the SRR arising from the end of December review will be reported to the Audit Committee in March as part of the report setting out the draft internal audit plan.
- 3.7 It is proposed that a separate audit of risk management is added to the internal audit plan for 2013-14. There is an allowance of 10 days for corporate audit activity and a balance on the review of the corporate governance statement of 6 days. These days will be used to provide an allowance for a separate audit of risk management of 15 days during 2013-14. It is planned to carry out this audit in the period December to February. The Audit Committee will be given the opportunity to review the scope of this Audit at its December meeting and the findings from the audit will be reported

to the Audit Committee in March. An allowance for a separate specific audit of risk management will be included in the draft internal audit plan for 2014-15.

- 3.8 As part of the review against the new standard in relation to public sector internal audit consideration has been given to the format of internal audit reports and it is felt the format of reporting could be improved. It is proposed to develop a revised format for internal audit reports and bring this to the December meeting of the Audit Committee for approval. The new format for internal audit reports will have a clearer focus on “risks, controls and assurance” and specifically draw out any relevant comments, conclusions and action points in relation to risk management for the activity being audited. Design of the revised report format will be carried out jointly by the Internal Audit Team and Grant Thornton and CIPFA.
- 3.9 The final issue agreed for action in June is amending the quarterly reports on progress with the internal audit plan to identify any material changes in the risk environment and as a consequence any proposed variations to the internal audit plan. A proposed format for this report will be brought to the December meeting. As part of the review of the new standard on public sector internal audit the Internal Audit Team is reviewing how it communicates with the Audit Committee. A proposed format for the progress report on the internal audit plan (including changes to the risk environment) will be developed jointly by the Internal Audit Team and Grant Thornton and CIPFA and brought as a draft template to the December meeting of the Audit Committee.
- 3.10 The Audit Committee may be concerned that all the detailed proposals to take forward the direction agreed in June is due to be brought forward to the Audit Committee in December. Much of the detailed activity on risk management is also relevant to ensuring the Council’s internal audit function meets the new standard on public sector internal audit and will be subject to a focussed action plan to ensure compliance with the new standard.

Risk Management Activity Update

- 3.11 Whilst the Audit Committee agreed to move away from the historic practice of receiving a quarterly update on risk management activity there is still some work to be completed before the approach agreed in June is fully in place and furthermore the Council have still to agree the SRR. During this transitional period it would be helpful to keep the Audit Committee aware of developments in relation to risk management.
- 3.12 The draft updated SRR was submitted to the Audit Committee in June. The Council have deferred consideration of the draft updated SRR pending a members seminar to review the draft updated SRR in more detail. The view of the Audit Committee in June was that it endorsed the draft updated SRR and looked forward to receiving evidence that the Council was aligning programmes and policy with the risks identified in the SRR.

- 3.13 A template for a quarterly monitoring report on the SRR has been developed and this has been completed as at end of June and was submitted to the Performance Review and Scrutiny Committee in August. A copy is also attached as Appendix A to this report. This report also contains the updated SRR as at end of June as Appendix 1 although there is no change to that from the version submitted to the Audit Committee in June. If the Audit Committee has any comments on either the SRR or the monitoring report then these will be fed into the members seminar and revisions to both.
- 3.14 The updating of ORRs has also been completed and a revised format for reporting on the quarterly review of the ORRs to DMT and SMT has been developed and was used in the end of June review which was reported to SMT on 5 August.
- 3.15 The ALARM CIPFA (Association of Local Authority Risk Managers/ Chartered Institute of Public Finance and Accountancy) Risk Benchmarking Survey has been completed and the feedback report received. The survey is based on the ALARM national performance model for risk management in public services. There is improvement in the scoring in all categories with the total score moving from 407 to 463 (out of 700). The Council is assessed as being at the embedded and integrated stage for 2 categories and at the working stage for the other 5. This is a movement of 1 category (processes and tools) from working to embedded and integrated. A similar improvement for the next ALARM CIPFA benchmarking (June 2014) would see the Council move to the embedded and integrated stage for all categories apart from partnership and resources.
- 3.16 The Council tends to be ranked in the fourth quartile of Council in the ALARM CIPFA benchmarking survey. However scoring is close between councils and an improvement of a few points would put the Council into the middle range of councils.
- 3.17 The risk management action plan has been updated to reflect improvement areas. Appendix B has the summary assessment from the benchmarking and Appendix C the updated risk management action plan.

4 CONCLUSION

- 4.1 This report advises that the detailed assessments, templates and proposals on various actions agreed to address the Audit Committee's interest in risk will be developed by the Internal Audit Team and Grant Thornton and CIPFA over the next few months and brought forward to the Audit Committee in December. It also provides an update on risk management activity advising that monitoring arrangements are in place for the SRR and ORR and that the risk management action plan has been updated with further improvement areas arising from the ALARM CIPFA benchmarking club.

5 IMPLICATIONS

- 5.1 Policy – Sets out the approach to the Audit Committee using risk

- management information.
- 5.2 Legal – None.
- 5.3 Finance – None.
- 5.4 Human Resources – None.
- 5.5 Risk – Provides an update on risk management activity but also sets out how risk will be factored in and reported as part of internal audit activity.
- 5.6 Equalities – None.
- 5.7 Customer Service – None.

For further information contact Bruce West, Head of Strategic Finance 01546-604151

Bruce West
Head of Strategic Finance
12 September 2013

REVIEW OF STRATEGIC RISK REGISTER

1. SUMMARY

1.1 This report updates members on the key strategic risks facing the Council, the associated mitigating actions and changes in these risks.

1.2 As the quarterly review process matures review updates will include the following key issues:

- The following risks have been added to the strategic risk register (SRR).
 - None this quarter but updated as required.
- The following risks have been deleted from the SRR (risk score now zero).
 - None this quarter but updated as required.
- The following risks are classed as red even after mitigation.
 - Population and Economic decline
- The following risks have a raw score which classifies them as red but mitigation reduces the assessment to amber.
 - Welfare Reform
 - Income & Funding
 - Asset Base
 - Reputation
 - Demographics
 - Health and Social Care Integration
- These are the risks which have moved risk category (red/amber/green) in the last quarter.
 - None this quarter but updated as required.
- These are the risks that are at variance from the agreed risk appetite.
 - None this quarter but updated as required.

2. RECOMMENDATIONS

2.1 Performance and Scrutiny Committee to consider the SRR and key risks, changes, trends and exceptions highlighted in this report and identify any issues it would like officers to investigate further.

3. DETAIL

Background

- 3.1 The Council has recently agreed a revised strategic risk register which will be reviewed and updated on an on-going basis and reported quarterly.
- 3.2 The process for reviewing the strategic risk register is outlined below:
- Designated risk owner to update during quarter in consultation with appropriate chief officers /service managers and spokespersons.
 - SMT to consider quarterly review report.
 - Strategic Risk Group consider the SRR at its quarterly meeting.
 - Performance Review and Scrutiny Committee to consider the quarterly review report.
- 3.3 As the SRR has only very recently been agreed and approved, for quarter 1 there are currently no material changes to report.
- 3.4 As the review process matures quarterly review reports will provide a summary of the main changes and trends in scoring and /or mitigation from quarter to quarter and from the start of the financial year. The quarterly review will also identify any new or emerging risks and any risks which have been closed off or removed.
- 3.5 Appendix 1 details the SRR as at June 30th 2013. There are 13 strategic risks identified. Members are requested to consider whether these risks are appropriate to the Council and whether the associated score is reflective of their status.

Risks Added To And Deleted From The SRR

- 3.6 The table below sets out any new risks that have been added to the SRR in the last quarter. (None this quarter)

Theme -	Risk -	Description -
Raw Likelihood	Raw Impact	Raw Score
Mitigation -		
Residual Likelihood	Residual Impact	Residual Score

- 3.7 The table below sets out any risks that have been removed from the SRR in the last quarter. This is because the likelihood and/or impact has now reduced or been mitigated to zero. (None this quarter)

Theme	Risk	Description	Previous Residual Score	Explanation For Removal

Red Risks

- 3.8 It is important to consider those risks that remain red even after mitigation and management action. The table below sets out detail of all of the risks where the residual risk category is red.

Theme /Risk/Description	Raw Score	Mitigation	Residual Score
<p>Operating Market</p> <p>Population and Economic decline</p> <p>Projected population decline and potential economic decline and failure to identify factor causing the decline and then develop and action strategies to address that decline.</p>	20	<p>Single outcome agreement targets population and economic recovery. Plans to be developed to action commitments in SOA.</p> <p>Economic Development Action Plan</p>	16

- 3.9 Those risks which were initially assessed as red but where mitigation and management action has reduced the risk score to amber are also important. The table below sets out detail of all of the risks where the raw risk category is red.

Theme - Risk - Description	Raw Score	Mitigation	Residual Score
<p>Topical Welfare Reform</p> <p>Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis</p>	20	<p>Separate project established to manage welfare reform with clear plans, resources and risks identified.</p> <p>Joint working with DWP, CPP and other Agencies to plan response to potential impact.</p> <p>Discussions on-going at national level re local services support framework</p>	12
<p>Finance:</p> <p>Income & Funding:</p> <p>A major reduction in income</p>	16	<p>Effective framework for longer term financial planning that takes</p>	12

/funding as result of a reduction in grant funding, reduced collection of council tax or fees and charges		account of longer term funding projections. Monitoring of grant funding formula. Effective management arrangements for billing and collection of council tax and fees and charges	
Infrastructure: Asset Base: Infrastructure and asset base does not meet current and future requirements. Infrastructure and asset base is not being used or managed efficiently or effectively.	16	Corporate Plan. Capital planning process. Asset Management planning process	12
Operating Market: Demographics: The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.	16	Monitoring of population trends. Corporate and service planning process. Planning and performance management framework (PPMF). Community Engagement Strategy. Workforce planning.	12
Reputation: Reputation	16	Community Engagement Strategy. Communications Strategy. Action plans to improve customer services.	12
Topical: Health & Social Care Integration	16	Establish a separate project to focus on implementation and identifying and addressing the issues arising	12

Risk Changes And Trends

- 3.10 It is important to draw out for consideration those risks where the residual score has changed during the quarter and these are set out below. (None this Quarter)

Theme	Risk	Description	Previous Residual Score	Revised Residual Score	Explanation Of Change

- 3.11 Appendix 2 contains a number of charts that show the trend in residual risk scoring since the review of SRR/start of the financial year. (No trend data available)

Variation From Risk Appetite

- 3.12 The residual risk scores when the SRR was reviewed have been adopted as the risk appetite for each risk in the SRR. The table below sets out the risks which are currently assessed as being above or below the risk appetite. If a risk is assess as being above the risk appetite the Council is exposed to more risk than originally planned. If a risk is assessed as being below the risk appetite the Council may be directing too much resource to managing the risk or the risk is reducing. (None this quarter)

Theme	Risk	Description	Risk Appetite	Current Residual Score	Variance From Risk Appetite
Risks Where Current Score Exceeds Risk Appetite					
Risks Where Current Score Is Less Than Risk Appetite					

4. CONCLUSION

- 4.1 This report sets out the purpose and process associated with strategic risk register quarterly review reports and summarises the current position.

5. IMPLICATIONS

- 5.1 Policy – None directly but the SRR should be used to assist the Council in setting and reviewing its strategic direction and performance.
- 5.2 Financial – None directly from this report but effective risk management assists with effective governance and stewardship of council resources
- 5.3 Personnel – None

5.4 Equal Opportunities – None

5.5 Legal – None.

5.6 Risk – The report sets out the strategic risks facing the Council and changes to these over the last quarter.

5.7 Customer Service – None.

Bruce West
Head of Strategic Finance
22 AUGUST 2013

DRAFT UPDATED STRATEGIC RISK REGISTER – APPENDIX 1											
Risk Ref	Description Of Risk	Example Consequences	Gross Risk			Desired Outcome	Control Processes/ Mitigation	Residual Risk			Risk Owner
			Li	Im	Sc			Li	Im	Sc	
Finance – Income and funding	<p>A major reduction in income /funding as result of a reduction in grant funding, reduced collection of council tax or fees and charges</p> <p>This may arise from global or local economic circumstances, government policy on public sector budgets and funding or data that determines grant funding formula.</p>	<p>Lack of income /funding to support Council objectives.</p> <p>Requirement to reduce service provision or budget allocations.</p> <p>Reduced income impacts on performance levels.</p>	4	4	16	The Councils finances are managed effectively.	<p>Effective framework for longer term financial planning that takes account of longer term funding projections.</p> <p>Monitoring of grant funding formula.</p> <p>Effective management arrangements for billing and collection of council tax and fees and charges.</p>	3	4	12	Head of Strategic Finance and Head of Customer and Support Services
Finance - Expenditure	<p>Major unforeseen expenditure creates significant overspend or a need to make significant and unplanned reductions in expenditure or redirection of budgets.</p>	<p>Resources need to be diverted.</p> <p>Reduced levels of performance.</p>	3	4	12	The Councils finances are managed effectively.	<p>Revenue and capital budget preparation including review of base budget, inflation, cost and demand pressures.</p> <p>Revenue and capital budget monitoring.</p>	2	4	8	Head of Strategic Finance

<p>Infrastructure – Leadership and management</p>	<p>A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved. May also the impact on development of the community planning partnership.</p> <p>Risk that organisation is not focussed on outcomes /objectives resulting in poor decision making</p>	<p>No clear strategic direction/set of objectives. Objectives not achieved as services and resources are not fully aligned to objectives. Opportunities missed to demonstrate community leadership. Confidence in, and reputation of, the Council harmed. Fail to adapt to changing environmental, social and economic conditions.</p>	<p>3</p>	<p>4</p>	<p>12</p>	<p>The Council has a clear strategic direction and service and resources are aligned to ensure Council objectives are achieved.</p>	<p>Maintaining an adequate contingency within General Fund reserve. Adequate insurance coverage.</p>	<p>3</p>	<p>4</p>	<p>12</p>	<p>Chief Executive</p>
						<p>Corporate Plan sets out overall Council objectives. Community Plan/SOA sets out CPP objectives with clear links to Council contributions (being developed). Corporate Improvement Plan. PPMF and service planning and performance monitoring to ensure service outcomes and activity is in line with Council objectives and performance is meeting targets. Community</p>					

Infrastructure - Management of services and resources	and inadequate governance arrangements	Fail to meet service needs of citizens.		9	Performance targets achieved. Performance improves over time and compared to others. Improved use and management of resources.	engagement and consultation to understand activity local needs. Development of a corporate plan	2	3	6	Executive Directors Heads of Service
Services and resources are not effectively managed. Services fail to achieve agreed performance levels and as a result are not contributing fully to Council objectives Resources are poorly managed with result that agreed outcomes and objectives are not fully achieved. Unable to achieve continuous improvement and improve effectiveness and efficiency.	Poor performance. Increased costs. Negative publicity. Unable to demonstrate best value.	3	3			Regular performance monitoring and review. Performance scorecards and Pyramid. PPMF and service planning. Corporate Improvement Plan and monitoring of progress. Argyll and Bute Manager Programme.				

<p>Infrastructure - Condition and suitability of overall infrastructure and asset base.</p>	<p>Infrastructure and asset base does not meet current and future requirements. Infrastructure and asset base is not being used or managed efficiently or effectively.</p>	<p>Infrastructure and asset base do not support overall Council objectives. Infrastructure and asset base do not support delivery of service outcomes. Infrastructure and asset base is allowed to deteriorate resulting in cost, lost opportunities and wasted resource.</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>The Council has an infrastructure and asset base that is maintained, safe, efficient and fit for purpose and which supports development of the area and achievement of objectives.</p>	<p>3</p>	<p>4</p>	<p>12</p>	<p>Executive Director of Development and Infrastructure Head of Facility Services.</p>
<p>Infrastructure - Civil Contingencies and Business Continuity</p>	<p>The arrangements in place for civil contingencies and business continuity are not effective.</p>	<p>Ineffective management of major emergencies affecting Council services and communities in Argyll and Bute in response to a major emergency. Incident and recovery phase of an emergency lead to greater inconvenience and hardship and a longer timescale for return to normal.</p>	<p>3</p>	<p>4</p>	<p>12</p>	<p>Effective plans and procedures in place to respond to a major event affecting Council services and/or the general public.</p>	<p>2</p>	<p>4</p>	<p>8</p>	<p>Head of Improvement and HR Head of Governance and Law</p>

Operating - Demographic Change	The Council fails to recognise, plan and deliver services in a way that takes account of demographic trends.	Council unable to effectively deliver its own services as a result of an emergency.	4	4	16	Performance of key priority services and other key areas identified by the public maintained or improved	Monitoring of population trends. Corporate and service planning process. Planning and performance management framework (PPMF). Community Engagement Strategy. Workforce planning.	3	4	12	Head of Improvement and HR
Operating Market - Population and economic decline	Projected population decline and potential economic decline and failure to identify factor causing the decline and then develop and action strategies to address that decline.	Economic decline results in a circle of decline with reduced employment, lower earnings, failing businesses and poor perception of the area. Population decline reduces funding	5	4	20	Sustainable economic growth and population growth in Argyll and Bute.	Single outcome agreement targets population and economic recovery. Plans will need to be developed to action commitments in SOA. Economic Development	4	4	16	Head of Economic Development

Topical – Health and Social Care integration	Implementation of health and social care integration is not managed effectively.	Unable to proceed with health and social care integration on a managed basis and/or in accordance with timescales. Integration has a negative impact on health and social care service delivery.	4	4	4	16	Planned and managed implementation of health and social care.	Establish a separate project to focus on implementation and identifying and addressing the issues arising.	3	4	12	Executive Director – Community Services
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Li = Likelihood
 Im = Impact
 Sc = Score

Risk Assessment Matrix – Appendix 2		
Score	Likelihood	Impact
	Description	Description
1	Remote – Very unlikely to ever happen.	None – minimal impact on objectives, budget, people and time
2	Unlikely – Not expected but possible.	Minor – 1%/10% budget, first aid, minor impact objectives, 1wk/3 months delay.
3	Moderate – May happen occasionally.	Moderate – 10%/30% budget, medical treatment required, objectives partially achievable, 3/12 months delay.
4	Likely – Will probably occur at some time.	Major – 30%/70% budget, permanent harm, significant impact on service delivery, 1/2 years delay.
5	Almost certain – Will undoubtedly happen and possibly frequently	Catastrophic – Over 70% budget, death, unable to fulfill obligations, over 2 years delay.

A combined score of 15 or more is classed as a red risk.

A combined score of between 6 and 14 is classed as an amber risk.

A combined score of less than 5 or less is classed as a green risk.

Appendix B: Argyll And Bute Council CIPFA Benchmarking Club Results May 2013

Enablers Leadership & Management Policy & Strategy People Partnership & Resources Processes Results Risk Handling & Assurance Outcomes & Delivery	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
	Awareness	Happening	Working	Embedded & Integrated	Driving
Level 1 Awareness	Level 2 Happening	Level 3 Working	Level 4 Embedded & Integrated	Level 5 Driving	

Level Guide:

< 20%
20 – 45%
45 – 70%
70 – 85%
85% +

Engaging

Happening

Working

Embedded & Integrated

Driving

<p>No clear evidence of improved outcomes.</p>	<p>Limited evidence that risk management is being effective in, at least, the most relevant areas.</p>	<p>Clear evidence that risk management is supporting the delivery of key outcomes in all relevant areas.</p>	<p>Clear evidence of improved delivery of relevant outcomes and evidence of positive and sustained improvement.</p>	<p>Risk management arrangements acting as a driver for change and linked to plans and planning cycles.</p>
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Risk Management Action Plan 13/14 **Audit Committee – Appendix C**

Theme	Outcome	Action Required	Timescale	Responsible Officer(s)	Current Status	Comment
Policy & Strategy	Risk Management capability in policy and strategy helps drive organisational excellence	Review of ORR-ORR's to reflect current risks linked to service plans	May 30th	Bruce West	Complete	
Policy & Strategy	Risk Management capability in policy and strategy helps drive organisational excellence	Draft SRR - Agree format and content of Strategic Risk Register	May 27th	Bruce West	Complete	
Policy & Strategy	Risk Management capability in policy and strategy helps drive organisational excellence	Annual review of policy, framework and guidance	June 30th	Bruce West	Complete	
People	Training and clear communication of risks is in place	Develop briefing /training session.	June 30 th	Bruce West	Delayed.	Session to scheduled September/October
Partnership, shared risk & resources	Evidence of improved partnership delivery through risk management	Review of partnership risk assessment processes & risk registers /logs	December 31 st	Bruce West	In Progress	
Processes						
Risk Handling & Assurance	Evidence that risk management is effective and useful for the organisation	Complete Cipfa Risk Benchmarking Survey	June 30th	Bruce West	Complete	

Risk Handling & Assurance	Evidence that risk management is effective and useful for the organisation	Further develop risk assurance statements.	March 31 st	Bruce West	In progress	
Outcomes & Delivery	Clear evidence of significantly improved delivery of relevant outcomes	Review Planning and Budgeting process referencing RM influence / Input	March 31 st	Bruce West	In progress	

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2013 - 2014

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit as at 2 August 2013. The objective of the report is to advise management of the progress of the Annual Audit Plan. (See Appendix 1).

2. RECOMMENDATION

- 2.1 The Audit Committee is asked to note progress made with the Annual Audit Plan for 2013 - 2014.
- 2.2 The Audit Committee is asked to note that contract audit days will be purchased in order to bring the plan back on track.

3. BACKGROUND

- 3.1 The progress report contained in Appendix 1 lists the audits scheduled for the financial year 2013 –2014, and are ordered by section and level of completion.
- 3.2 For the purpose of the progress report, audits are deemed to be complete following fieldwork and issue of a Draft Report.
- 3.3 Out of 18 audits listed under Financial Control, 2 are complete and 3 have started. Of a planned 310 direct audit days 41 have been expended. This leaves 269 direct audit days for the remainder of the year.
- 3.4 Out of 9 audits listed under Business Systems, 4 have started. Of a planned 170 direct audit days 11 have been expended. This leaves 159 direct audit days for the remainder of the year.
- 3.5 A total of 215 days have been set aside in the audit plan for Corporate/Departmental Service Plan audit work. As at 2 August 2013, 70 days have been expended on audit work leaving 145 days for the remainder of the year.
- 3.6 A total of 120 direct audit days were set out in the annual internal audit plan for Other Areas. As at 2 August 2013, a total of 32 days have been expended leaving 88 days for the remainder of the year.
- 3.7 The 100 days for special investigations has still to be utilised.
- 3.8 Appendix 1, shows that a total of 154 direct audit days have been

expended as at 2 August 2013. The direct audit days expended to date is in line with that of the same period in 2012- 2013. There remains a balance of 761 audit days for the remainder of the year.

- 3.9 One third of the year has now passed and it would be expected that around 300 days would have been expended by 2nd August, however, a vacancy and long term sickness absence has resulted in a shortfall of around 150 days to date. To address this, budget will be vired to Internal Audit allowing additional contract audit days to be purchased.

4. CONCLUSION

- 4.1 Although progress has been made with the audit plan for 2013 – 2014, some slippage has been experienced and contract audit days will be bought to bring the plan back on track.

5. IMPLICATIONS

- | | | |
|-----|----------------------|---|
| 5.1 | Policy: | None |
| 5.2 | Financial: | Budget will be transferred from other areas of Strategic Finance in order to meet cost of contract audit days bought in. |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |
| 5.6 | Risk | Based on current resources there is a risk the audit plan may not be delivered but this will be addressed by the purchase of contract audit days. |
| 5.7 | Customer Services | None |

For further information please contact Bruce West, Head of Strategic Finance – 01546-604151

Bruce West
Head of Strategic Finance
11 September 2013.

APPENDIX 1

Assessment of audit days: 2013-2014 strategic plan

AUDIT WORK SCHEDULE AS AT 2 AUGUST 2013		Last audited	Risk ranking	Original Estimated Audit Days 2013-14	Revised Estimated Audit Days 2013-14	Actual Audit Days 2013-14	Balance
FINANCIAL CONTROL AUDITS							
<u>Complete</u>							
Stock and Work in Progress		2012/13	2	15	15	12	3
Cash & Income Banking		2012/13	1	20	20	18	2
<u>Started</u>							
Council Tax		2012/13	1	15	15	4	11
Non Domestic Rates		2012/13	2	15	15	2	13
Debtor Accounts		2012/13	2	15	15	5	10
<u>Not Started</u>							
Procurement		2012/13	1	20	20	0	20
Budgetary Preparation and Control		2012/13	1	20	20	0	20
Government & European Grants		2012/13	1	20	20	0	20
Tendering Procedures		2012/13	1	20	20	0	20
Treasury Management		2012/13	1	20	20	0	20
Capital Contracts		2012/13	1	20	20	0	20
Resource Link/Payroll		2012/13	1	20	20	0	20
Universal Credit		2012/13	2	15	15	0	15
Capital Accounting		2012/13	2	15	15	0	15
Contract Operating Leases		2012/13	2	15	15	0	15
Creditor Payments		2012/13	2	15	15	0	15
General ledger operations		2012/13	2	15	15	0	15
Car Allowances & Subsistence		2012/13	2	15	15	0	15
Section Total				310	310	41	269
BUSINESS SYSTEMS AUDITS							
<u>Started</u>							
IT Strategy		-	1	20	20	1	19
Data Protection		2010	1	20	20	4	16
Fleet Management		2012/13	2	15	15	4	11
Pyramid Performance Management		2012/13	1	20	20	2	18
<u>Not Started</u>							
Care First		2012/13	1	20	20	0	20
Leisure Management System		2012/13	1	20	20	0	20
Roads Costing System		2012/13	1	20	20	0	20
Uniform System		2012/13	1	20	20	0	20
Customer Service Centre		2012/13	2	15	15	0	15
Section Total				170	170	11	159

APPENDIX 1

CORPORATE & DEPARTMENT AUDITS						
<u>Complete</u>						
Customer Services - School meals						
Chief Executive's Unit - Print & Design	1	10	20	23	-3	
Customer Services - Corporate Governance Statement	1	20	10	12	-2	
	1	15	15	9	6	
<u>Started</u>						
Corporate - PSIF	1	20	20	5	15	
Corporate - SPIs	1	20	25	21	4	
<u>Not Started</u>						
Corporate	1	10	10	0	10	
Community Services - Outwith Authority Placements	1	25	25	0	25	
Community Services - Health & Safety (Leisure)	1	15	15	0	15	
Community Services - Allocating ASN Assistants Process	1	10	10	0	10	
Development & Infrastructure Services - Section 75 Planning Obligations	1	15	15	0	15	
Development & Infrastructure Services - Marine Services	1	15	15	0	15	
Development & Infrastructure Services - Parking	1	10	10	0	10	
Customer Services - Business Continuity	1	15	15	0	15	
Chief Executive's Unit - Community Engagement	1	10	10	0	10	
Section Total		210	215	70	145	
Actual Direct Audit Time						
		690	695	122	573	
Special investigations contingency						
		100	100	0	100	
				0		
Section Total		100	100	0	100	
Other Areas						
Inverclyde Charity & Trust Accounts		0	0	4	-4	
Follow-up External & Internal Audit Management Letter Points		80	80	16	64	
NFI		40	40	12	28	
Section Total		120	120	32	88	
TOTAL						
		910	915	154	761	

**ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE**

**AUDIT COMMITTEE
20 SEPTEMBER 2013**

EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2013 – 2014.

1. SUMMARY

- 1.1 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 31 July 2013.

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 audit 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 July 2013, the number implemented, the number of agreed future recommendations and their status, e.g. on course etc.
- 3.3 Appendix 2 provides a summary as at 31 July 2013, 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 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 July 2013 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 implementation dates reported to the Audit Committee, management comment and Pyramid status.

4. CONCLUSIONS

Good progress is being made on recommendations due after 31 July 2013. Although there are 9 recommendations delayed but rescheduled as at 31 July 2013, 2 have now been completed and 1 is complete but evidence is required.

5. IMPLICATIONS

5.1	Policy:	None
5.2	Financial:	None
5.3	Legal:	None
5.4	HR:	None
5.5	Equalities:	None
5.6	Risk:	None
5.7	Customer Service:	None

For further information please contact Internal Audit on (01546 604294)
14 August 2013

APPENDIX 1

SERVICE SUMMARIES

RECOMMENDATIONS DUE 01 MAY 2013 – 31 JULY 2013

SERVICE	Complete	Delayed but rescheduled	Total
COMMUNITY & CULTURE		*1	1
CUSTOMER & SUPPORT SERVICES	1	2	3
ECONOMIC DEVELOPMENT		1	1
IMPROVEMENT & HR	3	1	4
ROADS & AMENITY SERVICES	1	#1	2
STRATEGIC FINANCE	4	(@1)(*1)3	7
TOTALS	9	9	18

- Complete but evidence required - Audit will review system to ensure requirements are met.

@ - Documentation drafted but awaiting submission of revisions of Constitution to Council.

* - Now complete as at 31 August 2013

RECOMMENDATIONS DUE AFTER 31 JULY 2013

SERVICE	Complete	On Course	Total
CHILDREN & FAMILIES		1	1
CUSTOMER & SUPPORT SERVICES	2	2	4
IMPROVEMENT & HR		2	2
ROADS & AMENITY SERVICES		1	1
STRATEGIC FINANCE		9	9
TOTALS	2	15	17

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APPENDIX 2

Recommendations Overdue 31 July 2013

ACTION PLAN NO:	WEAKNESSES IDENTIFIED: GRADE:	AGREED ACTION:	DATES:	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
DEPARTMENT SERVICE	CHIEF EXECUTIVE'S UNIT IMPROVEMENT & HR				

REPORT NAME **REVIEW OF RESOURCELINK**

1	The setup of hierarchy structures is currently under review to ensure that it is up to date, reflecting the changes within the Council Management. Department Management are assisting with this process confirming their establishment lists and reporting lines. LOW	Consultation between HR and Strategic Finance should take place in order to ensure that the reviewed hierarchy structure within ResourceLink aligns with the information required by Strategic Finance in terms of the Payroll Reports produced as part of the Budget Monitoring process. A Resourcelink working group should be established between Strategic Finance and HR in order to ensure that Resourcelink meets the needs of both Services.	30 June 2013 31 December 2013	Working Group met 05/07/13. Remit, roles and responsibilities clarified and workplan prepared, tasks allocated to group members. Due to meet again 13/08/13.	Delayed but rescheduled Head of Improvement & HR
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SERVICE **STRATEGIC FINANCE**

REPORT NAME **REVIEW OF CASH, INCOME AND BANKING**

3	A review of Imprest Account details for Argyll & Bute Council showed that there are 223 Imprest Accounts in total. Of the 223, a high proportion were found to have bank accounts. However, for 24 there were no details and 88 had no bank accounts. LOW	Internal Audit understands that the current banking contract is due to be reviewed in 2012/2013 and the review of Imprest Accounts should coincide with this to see whether bank accounts are held with the most appropriate bank.	30 June 2013 31 July 2013 31 December 2013	This will be completed as part of the preparation for the retendering of the Council's banking arrangements.	Delayed but rescheduled Head of Strategic Finance
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ACTION PLAN NO:	WEAKNESSES IDENTIFIED: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
REPORT NAME REVIEW OF TREASURY MANAGEMENT					
1	The Treasury Management Practices (TMP) document has been updated and re-issued August 2012 but includes a number of tables and references which are not complete. MEDIUM	The TMP document should be reviewed and revised to ensure all tables and references are appropriate and complete.	30 April 2013 30 May 2013 31 July 2013 31 August 2013	Now complete as at 31 August 2013	Complete as at 31 August Finance Manager, Corporate Support
2	The Council's Constitution includes Treasury Management regulations within Part D, Financial Regulations, although this document requires review and update to reflect recent changes within the Council. MEDIUM	The Financial Regulations should be updated to reflect changes to Council committee roles and responsibilities implemented during 2012.	31 May 2013 30 September 2013	Revision drafted but awaiting submission of Constitution to Council.	Delayed but rescheduled Head of Strategic Finance

DEPARTMENT COMMUNITY SERVICES
SERVICE COMMUNITY & CULTURE

REPORT NAME REVIEW OF SPYDUS LIBRARY MANAGEMENT SYSTEM					
1	Regular checks are not carried out to confirm the integrity of the database files (eg to identify possible data corruption) MEDIUM	Periodic checking of the back-up data should be checked for completeness and accuracy.	31 March 2013 30 June 2013 30 September 2013	Now complete as at 31 August 2013	Complete as at 31 August Library Development Officer

DEPARTMENT SERVICE **CUSTOMER SERVICES
CUSTOMER & SUPPORT SERVICES**

REPORT NAME **REVIEW OF CAPITAL CONTRACTS**

1	It was noted that 2 of the sample contracts had been authorised by an officer not included on the published schedule of authorised signatories. Investigation confirmed that the officer was approved to authorise and had been omitted from the list in error. MEDIUM	The published Scheme of Authorised Purchasers should be reviewed and updated.	30 April 2013 31 July 2013 30 September 2013	A large number of forms have been returned in various states of completion (a large number do not have post numbers etc filled in). Discussions have taken place with I.T. contact and, given the very small number of forms which returned in excel format, they are providing a template of an excel spreadsheet which we will then complete from the information provided.	Delayed but rescheduled Procurement and Commissioning Manager
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REPORT NAME **REVIEW OF CREDITORS AND PAYMENTS**

2	Authorisation limits have been assigned to all personnel who are responsible for the purchase of goods and services within the Council. A sample of invoices was chosen from the financial year 11/12 and the corresponding payments made were checked to ensure that authorisations were within agreed limits as laid out on the Council's website. It was found on numerous occasions that limits set per invoices been paid did not agree to the authorisation list. HIGH	A complete review of all authorised signatories should be carried out to bring the authorised signatories database as published on the Council's website up to date.	31 July 2013 31 August 2013 30 September 2013	A large number of forms have been returned in various states of completion (a large number do not have post numbers etc filled in). Discussions have taken place with I.T. contact and, given the very small number of forms which returned in excel format, they are providing a template of an excel spreadsheet which we will then complete from the information provided.	Delayed but rescheduled Creditors Supervisor and Departments
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DEPARTMENT SERVICE **DEVELOPMENT & INFRASTRUCTURE SERVICES**
ECONOMIC DEVELOPMENT

REPORT NAME **REVIEW OF FISH LANDING DUES AND OTHER HARBOUR INCOME**

6	The timber operator is continuing to get the maximum 55% discount on charges under a five year tiered agreement approved by the Strategic Manager Marine and Airports Policy Committee in March 2002. The continuation of this maximum discount arrangement, which conflicts with the approved tiered rate, has not been formally ratified by the Council, and is not being offered to other dry bulk commodities such as wind farm goods HIGH	The current discount arrangements being applied should be ratified by the Council at the earliest opportunity pending the preparation of a full business case	30 June 2012 30 April 2013 30 June 2013 28 February 2014	A full review of fees and charges and related discounts for piers and harbours will be undertaken as part of forthcoming budget process and a full report submitted no later than February 2014.	Delayed but rescheduled Director of Development and Infrastructure/Operations
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SERVICE **ROADS & AMENITY SERVICES**

REPORT NAME **REVIEW OF FLEET MANAGEMENT**

2	Data Transfer It was found that data transfer between historic systems was incurring unnecessary administrative time, and increasing the risk of data entry error. Further there is no recorded formalised agreements between departments as to information requirements, resulting in additional queries and the associated administrative time to respond. MEDIUM	Management should work to agree the different data transfer requirements and update the data transfer inks to include cross departmentally agreed required information.	31 July 2012 31 October 2012 31 July 2013 28 February 2013 31 May 2013 30 June 2013 31 August 2013	Now complete as at 31 August 2013 Audit will review system to ensure requirements are met.	Evidence Required Data Systems & Information Officer
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APPENDIX 3

Recommendations Due After 31 July 2013

ACTION PLAN NO:	WEAKNESSES IDENTIFIED: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE
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DEPARTMENT
SERVICE
REPORT NAME

None Outstanding

There were no recommendations due after 31 July 2013 that were identified as delayed.

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