

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
Executive Director: Douglas Hendry



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6 March 2015

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD** on **FRIDAY, 13 MARCH 2015** at **12 NOON**, which you are requested to attend.

Douglas Hendry
Executive Director - Customer Services

BUSINESS

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Audit Committee 5 December 2014. (Pages 1 - 6)
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- 13. COUNTER FRAUD TEAM - BUSINESS CASE**
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(Pages 191 - 206)
- 14. AUDIT COMMITTEE WORKPLAN** (Pages 207 - 210)

AUDIT COMMITTEE

Martin Caldwell (Chair)
Councillor Michael Breslin
Councillor Iain MacDonald
Sheila Hill

Councillor Gordon Blair
Councillor Maurice Corry
Councillor Richard Trail

Contact: Shona Marshall

Tel. No. 01546 604407

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,
LOCHGILPHEAD
on FRIDAY, 5 DECEMBER 2014**

Present: Martin Caldwell (Chair)

Gordon Blair
Michael Breslin
Maurice Corry
Iain Angus MacDonald
Richard Traill
Sheila Hill

Attending: Sally Loudon, Chief Executive
Bruce West, Head of Strategic Finance
Patricia O'Neill, Central Governance Manager
Kevin Anderson, Chief Internal Auditor
Grace Scanlin, Grant Thornton
Fiona Mitchell-Knight, Audit Scotland
David Jamieson, Audit Scotland

1. APOLOGIES FOR ABSENCE

No apologies for absence were intimated.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3. MINUTES

The Minutes of the Audit Committee of 26 September 2014 were approved as a correct record.

4. INTERNAL AUDIT UPDATE SUMMARY OF ACTIVITIES

The Committee considered a report which detailed the Internal Audit activity undertaken October to December 2014 and provided an update with regards to progress during Quarter 3 against the following areas;

- 14/15 Audit Plan progress
- Internal Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Development Plan
- Performance Indicators

Decision

The Committee noted the content of the report.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

5. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2014-2015

The Committee considered a report which provided executive summaries and details on seven audits that had been undertaken by Internal Audit and the recommendations that had been identified as a result of these audits.

During discussion on the Land and Asset Disposal Audit Summary report, the Chief Executive informed the Committee that the Director of Customer Services would be inviting SOLACE Enterprises to provide a “health check” on all procedures and processes relating to the review of Council assets and their marketing.

The Committee was advised of the distinction between valuations as part of the disposals process and for the asset register for inclusion in accounts in compliance with professional guidance. It was recognised that there was a requirement to ensure that reports kept Members clearly informed on asset management and to differentiate between operational assets, surplus assets and investment property.

It was noted that an Elected Members Seminar was due to be held early in 2015 on Asset Management Strategy.

Decision

The Committee noted the contents of the report and detail within each individual report in respect of the following audits;

- Airports
- Customer Service Centre
- Fisheries Local Action Group (FLAG)
- Income Maximisation – Direct Payments
- Land and Asset Disposal
- LEADER
- Pyramid Performance Management System

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

6. INTERNAL AUDIT DEVELOPMENT PLAN

The Committee considered a report which introduced revised development actions which were a continuation of improvement actions arising from a previous review of Internal Audit.

Decision

The Committee noted the content of the development plan.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

7. STRATEGIC RISK ASSURANCE MAPPING EXERCISE

A report which set out internal audit's assessment of the sources of assurance for the Audit Committee on the management of the Council's strategic risks was considered. The report described the approach to the work and the outcomes, including recommendations for future internal audit work.

The Committee considered the Strategic Risk Register to be important, valuable and informative, and that it was being carried out across the corporate structure of the Council.

Decision

The Committee;

- (i) noted the Strategic Risk Register shown at Appendix A;
- (ii) noted that the Risk Appetite Framework would be reporting to the March meeting of the Strategic Risk Group, following which any further comments could be brought to a future meeting of the Audit Committee;
- (iii) agreed that the Audit Committee consider the implications for the Internal Audit annual plans in 2015 – 16 and 2016 – 17, specifically:
 - verification of data quality within Pyramid
 - partnership governance arrangements
 - governance and political management arrangements in due course
- (iv) agreed that the Audit Committee and Performance Review and Scrutiny Committee consider areas of potential duplication relating to scrutiny of service performance, and that the role of the Performance Review and Scrutiny Committee could be focused on the extent to which reported outcomes have a mitigating effect on the risks facing the Council; and
- (v) agreed that a report on the governance of the Community Planning Partnership be placed on a future Agenda of the Audit Committee.

(Reference: Report by Grace Scanlin dated 5 December 2014, submitted)

8. EXTERNAL AND INTERNAL AUDIT REPORT FOLLOW-UP

The Committee considered a report which documented the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit due for implementation by 31 October 2014.

Decision

The Committee noted the report.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

9. DRAFT ANNUAL AUDIT PLAN 2015/16

The Committee considered a report which introduced the draft Annual Audit Plan for financial year 2015/16.

Decision

The Committee noted the report.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

10. EXTERNAL AUDIT ANNUAL REPORT

A report which provided a summary of findings carried out by Audit Scotland arising from the 2013/14 audit of Argyll and Bute Council was considered.

The Committee noted and discussed the following five key messages arising from the report;

- Best Value, use of resources & performance
- Governance & Accountability
- Financial position
- Financial statements
- Outlook

Decision

The Committee;

- (i) agreed that the Chief Executive would review the recommendations arising from the report; and
- (ii) noted that a review of the Action Plans drawn up following both Audit Scotland reports would be available in January/February 2015.

(Reference: Audit Scotland Argyll and Bute Council Annual Report on the 2013/14 Audit dated October 2014, submitted)

11. AUDIT COMMITTEE DEVELOPMENT DAY - ACTION PLAN

The Committee considered a report which provided a progress update in respect of the Audit Committee Development Day Action Plan for 2014/15.

Decision

The Committee;

- (i) noted the content of the report; and
- (ii) agreed that the Audit Committee Work Plan 2014 – 15 include a standing item on “Governance of Community Planning Partnership” from 25 September 2015.

(Reference: Report by Chief Internal Auditor dated 5 December 2014, submitted)

and Appendix 2 Audit Committee Work Plan 2014 – 15, tabled)

12. AUDITED ACCOUNTS 2013 - 14

The Committee considered a report which set out the outcome of the External Auditors (Audit Scotland) audit of the Council's financial statements for 2013-14.

Decision

The Committee;

- (i) noted the audited accounts and terms of the audit certificate; and
- (ii) noted the summary accounts and financial snapshot.

(Reference: Report by Head of Strategic Finance dated 27 November 2014, submitted)

At this point the Committee took the opportunity to thank Bruce West, Head of Strategic Finance for his contribution to the work of the Audit Committee and the Council, and wished him success in his new role.

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ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE****STRATEGIC FINANCE****13 MARCH 2015**

VAT Risk Review

1. EXECUTIVE SUMMARY

- 1.1 This report is a follow up report which sets out the progress in respect of the action plan prepared following the initial KPMG review of VAT carried out in April 2013.
- 1.2 The Council asked tax consultants KPMG to carry out a VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes. This report outlines any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk.
- 1.3 Following a site visit and a review of procedures 12 areas of risk were identified:
- 6 High Risk
 - 2 Medium Risk
 - 4 Low Risk
- 1.4 An action plan was prepared to address the issues raised by the review. The actions have been completed.
- 1.5 The Committee is asked to note the contents of the report.

VAT Risk Review

2. INTRODUCTION

- 2.1 The Council asked tax consultants KPMG to carry out a VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes. This report outlines any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk.

3. RECOMMENDATIONS

- 3.1 Note the contents of the report and further updates will be provided once all action points are complete.

4. DETAIL

- 4.1 The Council asked tax consultants KPMG to carry out a VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes. Those areas identified, if not addressed, could expose the Council to misdeclarations of tax and penalties, or jeopardise the Council's risk profile.

- 4.2 Where HMRC consider an error to be 'careless' they may impose a 30% penalty on the under declared or over claimed VAT. The purpose of the review by KPMG was to highlight any errors that may cause penalties of this nature and therefore allow them to be corrected.

In addition, during the review KPMG would also highlight any areas where they consider that there is an opportunity for the Council to obtain a VAT benefit.

- 4.3 A consultant from KPMG carried out a 3 day site visit during which they reviewed the following areas:

- Accounts Receivable – Debtors
- Accounts Receivable – Cash Receipting
- Accounts Payable - Creditors
- VAT Return and Accounting

- 4.4 On completion of the site visit KPMG then produced a report of their findings which set out the areas of risk identified, the impact of each risk, and actions that should be taken to reduce/eliminate the risks.

This report included a traffic light summary which can be seen in Appendix 1. This summary shows there were 6 areas of high risk, 2 medium risks and 4 low risks

- 4.5 In light of the findings from this report an action plan was created and steps taken to reduce/eliminate the risks identified where possible. This action plan and progress to date can be seen in Appendix 2. The actions have been completed.

5. CONCLUSION

- 5.1 The completion of the VAT Risk Review by KPMG, and planned action will reduce Argyll & Bute Councils exposure to errors and penalties. It will also assist in ensuring a low risk profile is maintained

6. IMPLICATIONS

- | | | |
|-----|--------------------|--|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | Correct values of VAT claimed therefore reduced risk of penalties |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | Errors in VAT Returns resulting in penalties and impacting the risk profile of the Council |
| 6.7 | Customer Service - | None. |

Steve Barrett, Interim Head of Strategic Finance
Dick Walsh Council Leader and Policy Lead for Strategic Finance
23 February 2015

For further information please contact Steve Barrett, Interim Head of Strategic Finance 01546-604351.

Appendix 1 – Traffic light summary of findings by KPMG
Appendix 2 - Action Plan created by Argyll & Bute Council

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ABC VAT penalty risk review

Executive summary

Subject	Area of risk	Why this has arisen	Level of risk	Recommendation
Accounts receivable/Debtors				
VAT liability	<ul style="list-style-type: none"> Incorrect VAT treatment being applied to debtors transactions VAT being under declared 	<ul style="list-style-type: none"> Lack of VAT awareness of users raising invoices VAT is not fixed on Debtors system and can be changed by users 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> All users undergo VAT training Provide up to date VAT guidance to users Explore the possibility of fixing the VAT liabilities on the Debtors system
Land and property transactions	<ul style="list-style-type: none"> Increased level of VAT exempt income, pushing the Council toward the 5% partial exemption limit 	<ul style="list-style-type: none"> The Council has not opted to tax its non-residential property, with the result that its income generated from the sale and rental of non-residential property is VAT exempt 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Consider opting to tax the non-residential property portfolio in order to ensure that the sale and rental income is taxable As this is not a VAT error, there is no risk of a VAT penalty
VAT rate and timing of VAT declaration	<ul style="list-style-type: none"> VAT being under declared VAT being declared late 	<ul style="list-style-type: none"> Tax point rules are not being followed Lack of awareness of the VAT tax point rules 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> All users undergo VAT training Provide up to date VAT guidance to users
Management controls	<ul style="list-style-type: none"> VAT errors not being identified Unable to demonstrate reasonable care to HMRC 	<ul style="list-style-type: none"> No VAT checks are being carried out on invoices which are raised through debtors The VAT analysis reporting function of the Debtors system is not being used 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Establish process whereby VAT analysis reports are taken prior to every VAT return being submitted, with evidence of these checks are being retained
Accounts receivable/Cash receipting				
VAT liability and VAT rate	<ul style="list-style-type: none"> Incorrect VAT treatment being applied to cash receipts VAT being under declared 	<ul style="list-style-type: none"> Lack of VAT awareness of users raising invoices VAT is not fixed on cash receipting system and can be changed by users 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> All users undergo VAT training Provide up to date VAT guidance to users Explore the possibility of fixing the VAT liabilities on the cash receipting system



ABC VAT penalty risk review Executive summary

Subject	Area of risk	Why this has arisen	Level of risk	Recommendation
Accounts payable/Creditors				
VAT invoices	<ul style="list-style-type: none"> Invalid invoices are being processed 	<ul style="list-style-type: none"> No VAT checks are being carried out on AP invoices Lack of VAT awareness in Creditors Team No access to VAT guidance for Creditors Team 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> All users undergo VAT training Provide up to date VAT guidance to users Establish system whereby checks are carried out to ensure VAT invoice conditions are met
VAT recovery	<ul style="list-style-type: none"> VAT is being over recovered 	<ul style="list-style-type: none"> VAT is being recovered on the basis of pro-forma invoices 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> All users undergo VAT training Provide up to date VAT guidance to users Procedures are put in place to ensure that VAT is not recovered on the basis of pro-forma invoices
Overseas transactions	<ul style="list-style-type: none"> Reverse charge procedures not applied 	<ul style="list-style-type: none"> Staff unaware of requirements 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> System should be amended to ensure that staff apply the correct VAT treatment As the net VAT error is NIL, there is a low risk of a VAT penalty
Corporate purchasing card	<ul style="list-style-type: none"> Input tax is being recovered late 	<ul style="list-style-type: none"> Input tax is being recovered against invoices, rather than the corporate purchasing card statements 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Consider a change in procedure As it is input tax which is being recovered late, there is no risk of a penalty
Unitary charge payments	<ul style="list-style-type: none"> VAT recovered on the basis of invalid invoices 	<ul style="list-style-type: none"> Invoices for unitary charge payments are being manually altered 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Any amendments to the value of unitary charge payments must be supported by correct paperwork, i.e. Credit or Debit note.
Mileage payments	<ul style="list-style-type: none"> VAT being under recovered 	<ul style="list-style-type: none"> VAT is not recovered on mileage claims which are not supported by a fuel VAT receipt 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Consider changes to the employee expense system As there may be an under recovery of input tax, there is no risk of a penalty
VAT return				
VAT return	<ul style="list-style-type: none"> Late or incorrect VAT return being submitted 	<ul style="list-style-type: none"> No member of staff fully trained in preparing and submitting the VAT return in the event of Anne Macdougall's absence from the office 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Ensure an alternative member of staff is fully trained in how to complete and submit the VAT return

	Action Required	Responsible Person	Planned Completion Date	Actual/ Forecast Completion Date	Planned Progress to Date % Complete	Actual Progress To Date % Complete	Status/ Assessment	Comment/ Explanation
	GENERAL							
1	Advise all employees of VAT contact for the Council	Anne Macdougall	31/07/13	31/07/13	100%	100%	Complete	Guidance has been prepared and this will be made available through the HUB to all employees.
2	Provide employees with details of HMRC penalties	Anne Macdougall	31/07/13	31/07/13	100%	100%	Complete	Guidance has been prepared and this will be made available through the HUB to all employees.
3	Provide VAT guidance to all employees for reference	Anne Macdougall	31/07/13	31/07/13	100%	100%	Complete	Guidance has been prepared and this will be made available through the HUB to all employees.
	DEBTORS							
4	Block 15% & 17.5% codes on Debtors system	Jennifer Gorman	31/05/2013	29/04/2013	100%	100%	Complete	Codes blocked on system.
5	Liaise with KPMG re errors on Fees & Charges report	Anne Macdougall	31/08/2013	30/03/14	100%	100%	Complete	Due to resources available we have asked KPMG to complete this review for us. To be completed for issue of 14/15 schedule.
6	Update Maintenance form for setting up codes on systems	Jennifer Gorman/ Ken Wong	28/06/2013	09/07/13	100%	100%	Complete	New form created with improved authorisation procedures.
7	Invoices to be raised within 60 days of supply	Jennifer Gorman	31/10/2013	31/10/2013	100%	100%	Complete	Included in debtors procedure manual and included in A&B Manager training.
8	Look into opt to tax on Land & Property income	Anne Macdougall	31/08/2013	4/11/13	100%	100%	Complete	Estates have been advised to contact finance when new agreements are entered in to at which point we can consider opting to tax.
9	Produce & Review monthly VAT analysis reports	Jennifer Gorman	30/09/2013	31/08/2014	100%	100%	Complete	Reports produced.
	CASH RECEIPTING							
10	Block 15% & 17.5% codes on Cash Receipting system	Ken Wong	28/06/2013	31/05/13	100%	100%	Complete	Codes blocked on system.
11	Update Maintenance form for setting up codes on systems	Jennifer Gorman/ Ken Wong	28/06/2013	09/07/13	100%	100%	Complete	New form created with improved authorisation procedures.

	Action Required	Responsible Person	Planned Completion Date	Actual/ Forecast Completion Date	Planned Progress to Date % Complete	Actual Progress To Date % Complete	Status/ Assessment	Comment/ Explanation
12	Review current VAT treatment of existing codes	Anne Macdougall	31/10/2013	31/12/14	100%	100%	Complete	Codes removed.
13	Amend system to prevent users from overriding VAT treatment	Ken Wong	28/06/2013	22/04/13	100%	100%	Unable to complete	Civica have confirmed this is not possible. Risk minimal per action point report 13.
	CREDITORS							
14	Implement system for checking invoices meet VAT invoice conditions & VAT value is correct	Malcolm Bannatyne	31/07/2013	30/09/13	100%	100%	Complete	Creditors staff informed of invoice requirements & impact of the incorrect VAT amount being applied.
15	Review treatment of VAT on Pro forma invoices	Malcolm Bannatyne	14/06/2013	14/06/2013	100%	100%	Complete	Advice provided by KPMG and VAT no longer claimed on Pro-forma invoices.
16	Review treatment of VAT on advance payments	Malcolm Bannatyne	14/06/2013	14/06/2013	100%	100%	Complete	Reviewed by KPMG/HMRC and satisfied they are being treated correctly.
17	Review procedures for coding VAT on refunds	Malcolm Bannatyne	31/08/2013	30/09/13	100%	100%	Complete	Refunds correctly coded and regular checks will be made to ensure the correct code continues to be used.
18	Review treatment of VAT on overseas transactions	Malcolm Bannatyne /Anne Macdougall	30/06/2013	18/06/2013	100%	100%	Complete	A copy of all overseas invoices now passed to VAT contact to ensure they are correctly treated.
19	Issue procedures to purchase card users explaining importance of submitting VAT invoices & liaise with Natwest re VAT recoverable statement.	Malcolm Bannatyne	31/08/2013	30/09/13	100%	100%	Complete	Procedure note now issued but reliance placed on card users to ensure VAT invoices are obtained and submitted. NatWest unable to assist.
20	Review process of receiving VAT invoices from departments	Malcolm Bannatyne	31/08/2013	30/09/13	100%	100%	Complete	Procedure note now issued to departments.
21	Include audit trail on manually amended invoices	Malcolm Bannatyne	31/08/2013	30/09/13	100%	100%	Complete	Checks done to ensure any manual changes to invoices have full audit trail.
22	Review process of claiming VAT on mileage payments	Malcolm Bannatyne	18/06/2013	31/08/14	100%	80%	Complete	Ongoing discussions with Resourcelink. Solutions have been identified and will be implemented after discussion with KPMG.
	Action Required	Responsible	Planned	Actual/	Planned	Actual	Status/	Comment/ Explanation

		Person	Completion Date	Forecast Completion Date	Progress to Date % Complete	Progress To Date % Complete	Assessment	
	<u>VAT RETURN</u>							
23	Arrange appropriate cover for VAT return preparation	Anne Macdougall	30/06/2013	18/06/2013	100%	100%	Complete	Second member of staff has been trained to cover this task.
24	Include reasonableness check for Output Tax declared	Anne Macdougall	31/05/2013	17/05/2013	100%	100%	Complete	Reasonableness check added to VAT return spreadsheet and variance checked monthly.

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ARGYLL AND BUTE COUNCIL
STRATEGIC FINANCE

AUDIT COMMITTEE
23 FEBRUARY 2015

Employment Tax Risk Review

1. EXECUTIVE SUMMARY

- 1.1 The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. This report outlines any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk.
- 1.2 Following a site visit and a review of procedures 10 areas of risk were identified:
- 2 High Risk
 - 4 Medium Risk
 - 4 Low Risk
- 1.3 An action plan was prepared to address the issues raised by the review.
- 1.4 The Committee is asked to note the contents of the report with updates being provided to future meetings.

Employment Tax Risk Review

2. INTRODUCTION

- 2.1 The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. This report outlines any issues identified by KPMG and the procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk.

3. RECOMMENDATIONS

- 3.1 Note the contents of the report and further updates will be provided once all action points are complete.

4. DETAIL

- 4.1 The Council asked tax consultants KPMG to carry out an Employment Tax Risk Review to identify any areas of potential risk in the Council's Employment Tax accounting processes. Those areas identified, if not addressed, could expose the Council to penalties and jeopardise the Council's risk profile.

- 4.2 The purpose of the review by KPMG was to ensure the systems and processes in place for reporting, calculating and paying PAYE and NIC on cash payments and benefits provided to employees are robust. In addition, ensure that there are appropriate safeguards built in to the system in respect of review, sign off and security controls.

The review used the same methodology which HMRC would adopt during an employer compliance review.

- 4.3 A consultant from KPMG carried out a 2 day site visit during which they reviewed the following areas:

- Payment of expenses, allowances and benefits in kind
- Payments to external consultants
- Payments made under voluntary or compulsory redundancy arrangements.

- 4.4 On completion of the site visit KPMG then produced a report of their findings, risk levels and recommendations to reduce these risks.

This report included a traffic light summary which can be seen in Appendix 1. This summary shows there were 2 areas of high risk, 4 medium risks and 4 low risks.

- 4.5 In light of the findings from this report an action plan is being created to take action to reduce/eliminate the risks identified where possible. The risks which will form the basis of the plan can be seen in Appendix 2. A completed plan will be presented at the meeting.

5. CONCLUSION

- 5.1 The completion of the Employment Tax Risk Review by KPMG, and planned action will reduce Argyll & Bute Councils exposure to errors and penalties. It will also assist in ensuring a low risk profile is maintained.

6. IMPLICATIONS

- | | | |
|-----|--------------------|--|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | Correct values of PAYE and NIC are calculated therefore reduced risk of penalties |
| 6.3 | Legal - | None. |
| 6.4 | HR - | None. |
| 6.5 | Equalities - | None. |
| 6.6 | Risk - | Errors in calculating and paying PAYE and NIC resulting in penalties and impacting the risk profile of the Council |
| 6.7 | Customer Service - | None. |

Steve Barrett, Interim Head of Strategic Finance
Dick Walsh Council Leader and Policy Lead for Strategic Finance
23 FEBRUARY 2015







For further information please contact Steve Barrett, Head of Strategic Finance 01546-604351.

Appendix 1 – Traffic light summary of findings by KPMG
Appendix 2 - Action Plan created by Argyll & Bute Council

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	Key Findings	Risk level*
Payroll processes	<ul style="list-style-type: none"> The payroll systems, processes and controls currently in place appear to be robust. 	Low
Expenses – general	<ul style="list-style-type: none"> In general, the expense claim forms reviewed were of a good standard. The Council’s policy states that business mileage will be paid for the shorter of the distance between home and place visited on official business or normal office and place visited on official business. It is not clear from the claims we reviewed that the business mileage stated in respect of business mileage is in accordance with the Council’s policy. 	Low
Expenses – use of employees own car	<ul style="list-style-type: none"> We identified instances of mileage costs being claimed and reimbursed in respect of home to work journeys by employees who historically have been engaged on multiple part–time employment contracts. In addition, we noted that employees working within the Council’s social work department also appear to be claiming mileage in respect of journeys from home to their normal place of work. A PAYE and Class 1 NIC (employee and employer) obligation arises on amounts reimbursed to employees in respect of ordinary commuting journeys. We suggest that a review is undertaken to identify the level of home to work travel costs reimbursed to employees working under multiple employment contracts in the last four tax years, and a voluntary disclosure made to HMRC of the underpaid PAYE and NIC. We also suggest that further analysis is carried out to identify any other categories of employee where there is an increased risk of reimbursement in respect of ordinary commuting journeys so that any disclosure made to HMRC in this regard is complete. 	High
Expenses - Councillors Risk level: Medium	<ul style="list-style-type: none"> In adherence with the guidance issued by Scottish Local Authorities Remuneration Committee (“SLARC”), the Council regards a councillor’s home as their normal place of work, and expenses associated with travel from a Councillor’s home to the Council headquarters, and other locations to conduct council business, may be claimed. HMRC are increasingly active in arguing, particularly in the case of local authorities, that a councillor’s home is not necessarily a workplace for tax and NIC purposes, and that the travel and subsistence expenses incurred by councillors travelling to committee or sub-committee meetings, are not allowable expenses. Where HMRC argue this successfully, the amounts reimbursed in respect of these journeys should be paid subject to deductions of PAYE and NIC through payroll, or if paid directly by the Council, treated as a taxable benefit in kind and reported on form P11D. We suggest that a review is undertaken of the location(s) in which the Councillors approved duties are carried out, to determine whether the Councillors have a normal place of work for employment tax purposes (which may include a Councillor’s home). Where this is the case, consideration should be given to the tax and NIC position in relation to the reimbursement of their travel and subsistence expenses, and if appropriate, a voluntary disclosure made to HMRC of any underpaid PAYE and NIC. 	Medium/High

* Risk level – the risk ratings have been determined based on the probability of a successful HMRC challenge in the particular area and/or the level of the potential exposure.

	Key Findings	Risk level*
Purchasing cards	<ul style="list-style-type: none"> The process and controls in place appear to be adequate in terms of ensuring that only goods and services considered appropriate for the relevant service and business purpose are purchased. We suggest that additional checks are built into the Council's process to ensure that any expenditure which may give rise to tax, NIC or reporting obligations is identified and captured. 	Low 
Severance and redundancy payments	<ul style="list-style-type: none"> We consider that there is a risk that HMRC could successfully argue that the Compensatory Added Years ("CAY") payment is not compensation for loss of office and therefore should be taxed as earnings subject to PAYE and NIC in full. This would be on the basis that the payment is a terminal bonus for individuals at or near retirement age, or made under an employer financed retirement benefit scheme, rather than a redundancy payment arising from the termination of the employment. 	Medium 
Employee Benefits	<ul style="list-style-type: none"> Based on our review of the limited documentation provided, we are unable to confirm whether the salary sacrifice arrangements in place are effective from a tax and NIC perspective. We suggest that a more comprehensive review is carried out in this regard to confirm the position. With regard to the Tied Housing provided to certain janitors/caretakers, there is a risk that a benefit in kind (BIK) has arisen since 2010 based on the cost to the Council of providing the living accommodation. We suggest that a review is undertaken of the circumstances, roles and responsibilities of the Council's janitors/caretakers in order to fully assess this risk. 	Medium 
P11D dispensation	<ul style="list-style-type: none"> We recommend that as a matter of good practice, the Council should approach HMRC to update the terms of its P11D dispensation, and to provide HMRC with a summary of the Council's current systems and controls with regard to expenses and benefits generally. 	Low 
Engagement of third party labour	<ul style="list-style-type: none"> During our review, we did not identify any documentary evidence that exists to record the process for determining the tax and reporting position for each individual who has been awarded a contract and engaged on a self-employed basis. To fully assess the Council's risk in this regard, we suggest that a review is carried out on a sample of the existing arrangements in place between the Council and individuals engaged on a self employed basis. We suggest the Council introduces checks to effectively manage the potential risks surrounding the engagement of individuals on a self-employed basis. 	Medium 
Construction Industry Scheme	<ul style="list-style-type: none"> Where it has not been possible to obtain evidence of the cost of materials from a subcontractor, HMRC are actively challenging contractors to demonstrate how they are it is able to satisfy themselves that a reasonable estimate of the cost of materials was carried out prior to settling invoices. We suggest that additional processes and controls are implemented by the Council in order to ensure that a fair estimate of the cost of materials is made. 	Medium 

	Risk	Action	Section Responsible	Date for Completion	Revised Date	Date Completed	Comment
	EXPENSES						
1	Not clear from claims whether the business mileage claimed is the shorter of the distance between home and place visited or normal office and place visited as per Council policy. Risk of excessive mileage being claimed.	Remind managers to check claims are in line with the travel and subsistence guidance and highlight this issue in particular. Ensure all information for staff on The Hub and My View is correct and up to date.	Creditors	31/03/2015	31/03/2015		This point has been broadly implemented but clear advice will be sought from KPMG.
2	Instances of mileage costs being claimed re home to work by employees who have historically been engaged on multiple part-time employment contracts.	Review information received from KPMG and ensure the claims are being processed in line with the guidance.	Creditors	31/03/2015	31/03/2015		As above
3	Employees within Social Work appear to be claiming mileage in respect of journeys from home to their normal place of work.	Remind managers to check claims are in line with the travel and subsistence guidance and highlight this issue in particular. Ensure all information for staff on The Hub and My View is correct and up to date.	Creditors	30/09/2014	31/03/2015		As above
4	Members travel between home and HQ. HMRC increasingly arguing that a Councillors home is not necessarily a workplace for tax and NIC purposes and that travel to meetings is not allowable.	Commission KPMG to provide a report on the options surrounding this risk and the impact of the alternative actions that may be taken.	Creditors/ Strategic Finance	30/09/2014	31/03/2015		KPMG confirmed they will issue guidelines on this matter by the end of this month. Guide lines received from KPMG and Passed to B West and J Orr for further comments.
	PURCHASING CARDS						
5	Additional checks to ensure that any expenditure which may give rise to tax, NIC or reporting obligations is identified and captured.	Review information received from KPMG and prepare guidance to be issued to managers.	Procurement/ Creditors/ Strategic Finance	30/11/2014	31/03/2015		This point has been addressed but the Council are looking to change their card system which will further tighten the procedures. A date has been arranged with RBS to demonstrate an improved card system which will improve functionality as well as dealing with VAT in a better manner.
	SEVERANCE AND REDUNDANCY PAYMENTS						
6	Risk that HMRC could argue that CAY payment is not compensation for loss of office and therefore should be taxed as earnings subject to PAYE and NIC in full.	No action currently required but this will be kept under review on an ongoing basis.	Payroll/HR/ Strategic Finance	Ongoing		Ongoing	
	EMPLOYEE BENEFITS						

	Risk	Action	Section Responsible	Date for Completion	Revised Date	Date Completed	Comment
7	Unable to confirm whether the salary sacrifice arrangements are effective from a tax and NIC perspective.	No action required as the Car Salary Sacrifice Scheme is no longer open to new leases. Any new schemes will be reviewed for effectiveness prior to implementation.	Transport	Ongoing		Ongoing	
8	Tied Housing - risk that benefit in kind has arisen since 2010 based on the cost to the Council of providing the living accommodation	Review information provided by KPMG and establish if any action is required.	Education/Facility Services/HR	31/10/2014	31/03/2015		Review still to be completed.
<u>P11D DISPENSATION</u>							
9	Approach HMRC to update terms of dispensation and to provide a summary of the Council's current systems and controls with regards to expenses and benefits generally.	Commission KPMG to undertake a renewal of the dispensation.	Creditors	31/12/2014	31/03/2015		KPMG have been approached and requested to contact HMRC direct with a view to extending our dispensation we are waiting upon a reply.
<u>ENGAGEMENT OF THIRD PARTY LABOUR</u>							
10	No documentary evidence existing to record the process for determining the tax and reporting position for each individual who has been awarded a contract and engaged on a self-employed basis.	Put in place a procedure and documentation for review of the tax position of people engaged on a self-employed basis.	Payroll/HR	31/12/2014		31/12/2014	We only process employees. We do not have self-employed people on our system. They would be employed via Commissioning Process and would submit an invoice to creditors for payment.
<u>CIS TAX</u>							
11	Estimates re cost of materials and other CIS issues.	Review existing procedures and reissue to staff who authorise payments where CIS tax applies.	Creditors/Surveyors	31/03/2015			Series of meetings being held with departmental staff to stress the need for the CIS system to be properly administered. KPMG have indicated they would like to be involved in this process so although we would like to have an agreed process in place by 31 March 2015 this may be delayed due to KPMG's involvement

ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE****STRATEGIC FINANCE****13 MARCH 2015**

FINANCIAL STATEMENTS 2014-15

1. EXECUTIVE SUMMARY

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2015 and the preparation of the Council's Financial Statements for 2014-15.
- 1.2 As part of the review of the preparation of the 2013-14 Annual Accounts five areas were identified where improvements could be made and following a review of the processes changes have been made to improve the closedown in respect of 2014-15.
- 1.3 The Appendices to the report show the timetable for the closure of the general ledger and the plan and timetable for preparation of the final accounts.
- 1.4 The Committee is asked to note the content of the report.

FINANCIAL STATEMENTS 2014-15

2. INTRODUCTION

- 2.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2015 and the preparation of the Council's Financial Statements for 2014-15.
- 2.2 Processes have been established to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) on an on-going basis. There are no major changes in accounting practice for 2014-15.
- 2.3 A review was undertaken of the year end processes at the completion of the preparation of the Financial Statements for 2013-14 and a number of changes have been made to the yearend timetable and processes.

3. RECOMMENDATIONS

- 3.1 To note that plans are in place to prepare the Councils financial statements, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2015 in line with the Scottish Government's requirements.

4. DETAIL

- 4.1 "An Audit Committees – Practical Guidance for Local Authorities" has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This suggests that Audit Committees should have an overview of the plans made for preparation of the council's financial statements.
- 4.2 A set of instructions for the end of the financial year have been drafted. These cover year-end close down of the council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements.
- 4.3 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure, capital charges and treasury management revenue accounts completed by 17 April.
 - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 1 May.
 - Council Tax and NDR entries completed by 17 May.
 - Review and adjustments to ledger and central department cost allocations Completed by 17 May.

- Preparation of unaudited single entity financial statements including report by Head of Strategic Finance by 8 June.
- Unaudited single entity financial statements considered by a meeting of the Full Council on 28 June. If the Group Accounts are ready by the Full Council Meeting they will also be considered by Members at this point in time.
- Submission of Unaudited Financial Statements to Accounts Commission by the statutory deadline of 30 June 2015.

4.4 The review of the year end timetable and processes identified five areas which had had an impact on compliance with the timetable for investigation:

- Asset valuations
- Housing Benefit Overpayments
- Control Accounts
- Support Service Allocations
- Council Tax and Non Domestic Rates

4.5 Each of the areas was further investigated and adjustments have been made to either the timetable to reflect the dependencies of tasks or the process to try and ensure that the tasks are completed as per the timetable.

4.6 Previously external Audit has been satisfied with the quality of working papers and general arrangements for preparation of the financial statements. The plan should result in Financial Statements prepared by the required deadline of 30 June 2015 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2015.

4.7 The General Ledger Closedown Timetable is included as Appendix 1 and Appendix 2 is the Final Accounts Preparation Plan and Timetable.

5. CONCLUSION

5.1 The review of the year end processes and timetable has resulted in a number of changes to these being implemented which should ensure that the Financial Statements are completed on time and that the working papers meet Audit Scotland's requirements.

6. IMPLICATIONS

6.1	Policy –	None at present
6.2	Financial -	None at present
6.3	Legal -	None at present
6.4	HR -	None at present
6.5	Equalities -	None at present
6.6	Risk -	None at present
6.7	Customer Service -	None at present

Steve Barrett, Head of Strategic Finance

Dick Walsh Council Leader and Policy Lead for Strategic Finance

For further information please contact Peter Cupples, Finance Manager –
Corporate Support 01546-604183

Appendix 1 – General Ledger Closedown Timetable

Appendix 2 - Final Accounts Preparation Plan and Timetable

Appendix 1 - Year End 2015 General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
1. Capital Expenditure Processing	1	Final preparation of year end capital payments	23/03/15 to 02/04/15	Departments
	2	Dep'ts Cut off date for capital payments to Strategic Finance - Corporate Support (Whitegates)	02/04/2015	Departments
	3	Processing of final external capital payments	07/04/15 to 10/04/15	Creditors Section
	4	Final cheque run processed and cheques printed	10/04/2015	Creditors Section
	5	Year end journals of transfers to/from revenue accounts	23/03/15 to 02/04/15	Corporate - Anne Macdougall
	6	Property Fee Charges Processed	23/03/15 to 02/04/15	Corporate - Anne Macdougall
	7	Roads interfaces checked daily for capital expenditure	23/03/15 to 09/04/15	Corporate - Anne Macdougall
	8	Dept's complete capital accruals template/CFCR template/journals/ and send to Strategic Finance - Corporate Support (Whitegates)	07/04/15 to 09/04/15	Departments
	9	Dept's cut off date for capital accruals template/CFCR template/journals to Strategic Finance - Corporate Support (Whitegates)	09/04/2015	Departments
	10	Processing of final external capital payments/accruals/CFCR	10/04/2015	Corporate - Anne Macdougall
	11	Capital expenditure processing complete	10/04/2015	Corporate - Anne Macdougall
2. Capital Expenditure - Fixed Asset Processing	1	Capital expenditure final download from ledger	13/04/2015	Corporate - Anne Macdougall
	2	Allocation of balance sheet codes to mass allocation journal	14/04/15 to 17/04/15	Corporate - Anne Macdougall
	3	Mass allocation processed	17/04/2015	Corporate - Anne Macdougall
	4	Capital expenditure complete	17/04/2015	Corporate - Anne Macdougall
<i>Depreciation/Property Plant and Equipment Processing</i>	5	Revaluation of Properties by Estates	24/04/2015	Hugh Blake - Estates
	6	Update asset register for additions/disposals/transfers	20/04/15 to 24/04/15	Corporate - Anne Macdougall
	7	Update Asset Register for Revaluations	27/04/15 to 29/04/15	Corporate - Anne Macdougall
	8	Process balance sheet depreciation/revaluation journals	29/04/2015	Corporate - Anne Macdougall
	9	Reconcile asset register to ledger	30/04/2015	Corporate - Anne Macdougall
	10	Run depreciation/impairment charges	01/05/2015	Corporate - Anne Macdougall
	11	Capital Accounting Entries Complete	01/05/2015	Corporate - Anne Macdougall
<i>Non-Current Assets Available for Sale</i>	12	Obtain supporting evidence for assets classified for sale	01/05/2015	Corporate - Anne Macdougall

Appendix 1 - Year End 2015 General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility	
3. Loan Charges	13	De-classify assets no longer meeting AH for S criteria	23/03/2015	Corporate - Anne Macdougall	
	14	Re-classify any items newly meeting AH for S Criteria	24/03/2015	Corporate - Anne Macdougall	
	15	Up-date asset register with reclassifications	25/03/2015	Corporate - Anne Macdougall	
	1	Complete interest on revenue balances	04/03/2015	Corporate - Sandra Coles	
	2	Complete PSTM Reconciliations	07/04/15 to 08/04/15	Corporate - Sandra Coles	
	3	Accrual of Borrowing Interest and Expenses	09/04/15 to 10/04/15	Corporate - Sandra Coles	
	4	Accrual of Investment Interest and Expenses	09/04/15 to 10/04/15	Corporate - Sandra Coles	
	5	Strategic Finance expense allocation	10/04/2015	Corporate - Sandra Coles	
	6	Agree loans fund advances b/f	04/03/2015	Corporate - Sandra Coles	
	7	Provision of capital repayment figures for house loans	30/03/15 to 10/04/15	Consolidated Team - Duncan MacBrayne	
	8	Calculate weighted capital expenditure in year	13/04/15 to 14/04/15	Corporate - Peter Cupples	
	9	Calculate average interest and expense rate	13/04/15 to 14/04/15	Corporate - Peter Cupples	
	4. IFRS Pensions Accounting - Year End Accounting Entries	10	Input annuity rate loan charges model and calculate loan charges	15/04/2015	Corporate - Peter Cupples
11		Process loans charges/SMGFB journal	16/04/2015	Corporate - Peter Cupples	
12		Loans fund revenue account (ensure nil)	16/04/2015	Corporate - Peter Cupples	
13		Loans Charges Complete	16/04/2015	Corporate - Peter Cupples	
1		IFRS Pensions Report Received from Actuaries (Hymans Robertson)	01/05/2015	Corporate - Moira Miller	
2		Check reasonability of data in report	01/05/2015	Corporate - Moira Miller	
3		Calculate pensions entries in ledger	01/05/2015	Corporate - Moira Miller	
4		Process pensions entries in ledger	01/05/2015	Corporate - Moira Miller	
5		Check no bottom line impact on general fund	01/05/2015	Corporate - Moira Miller	
6		IFRS Pension Entries Complete	01/05/2015	Corporate - Moira Miller	
5. Creditor Payments		1	Departments processing old year invoices	01/04/15 to 09/04/15	Departments
		2	Departments cut off date for passing invoices to Finance (Campbeltown)	09/04/2015	Departments
		3	Processing of final revenue payments 2014/15	10/04/15 to 13/04/15	Creditors Section
	4	Final cheque run processed and cheques printed	13/04/2015	Creditors Section	
	5	Production and processing of final feeders to road costing	13/04/2015	Creditors Section	
	6	Closure of March 2015 Period	13/04/2015	Consolidated Team - Astrid Ronald	
	7	Reconciliation of Core Payables Liability	14/04/2015	Consolidated Team - Astrid Ronald	
	8	VAT return completed	15/04/15 to 24/04/15	Corporate - Sandra Coles	

Appendix 1 - Year End 2015 General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	9	Creditor Payments and VAT completed	24/04/2015	N/A
6. Revenue Accruals/Prepaid Expenditure	1	Accrued/Prepaid expenditure templates issued to departments	02/03/2015	Consolidated Team - Astrid Ronald
	2	Departments complete accrued/prepaid expenditure template	10/04/15 to 22/04/15	Departments
	3	Deadline for return of accrued/prepaid expenditure template	22/04/2015	Departments
	4	Consolidated team check and process accrued/prepaid expenditure	23/04/15 to 30/04/15	Consolidated Team
<i>PECOS Accruals</i>	5	Orders received prior to 31 March, receipted on PECOS System	31/03/2015	Departments
	6	Final PECOS interface with payables ledger for 14-15	31/03/2015	Creditors Section
	7	PECOS Accrual Report run and sent to Principal Accountants	01/04/2015	Procurement - Mary McKerral
	8	Departments to include unpaid receipted orders on accrual template	02/04/15 to 22/04/15	Departments
<i>Holiday Pay Accrual - Teachers</i>	9	Collection of teacher data	01/04/2015	Corporate - Anne Macdougall
	10	Calculation of teachers holiday pay accrual	02/04/2015	Corporate - Anne Macdougall
	11	Process journal and SMR reversing entry	02/04/2015	Corporate - Anne Macdougall
<i>Holiday Pay Accrual - Other Staff</i>	12	Completion of holiday pay accrual template based on previous years sample and methodology	07/04/2015	Corporate - Anne Macdougall
	13	Process journal and SMR reversing entry	07/04/2015	Corporate - Anne Macdougall
<i>Payroll - Pay 07 MONTHLY (Month 1)</i>	14	Deadline for Trave/Expensel Claims - Pay 07 Month 1	27/03/2015	Departments
	15	Deadline for Timesheets to Payroll - Pay 07 Month 1	01/04/2015	Departments
	16	Processing Pay 07 Month 1	01/04/15 to 07/04/15	Payroll Section
	17	Clearance of Pay 07 Month 1 suspense items	08/04/15 to 14/04/15	Payroll Section
	18	Accrual Pay 07 Month 1	15/04/15 to 17/04/15	Consolidated Team - Ailsa Laing
<i>Payroll - Pay 10 TEACHERS (Month 1)</i>	19	Deadline for Travel/Expense Claims - Pay 10 Teachers Month 1	08/04/2015	Departments
	20	Deadline for Timesheets to payroll Pay 10 Teachers Month 1	13/04/2015	Departments
	21	Processing Pay 10 Teachers Month 1	13/04/15 to 15/04/15	Payroll Section
	22	Clearance of Pay 10 Month 1 suspense items	18/04/15 to 20/04/15	Payroll Section
	23	Accrual Pay 10 Teachers Month 1	21/04/15 to 23/04/15	Consolidated Team - Astrid Ronald

Appendix 1 - Year End 2015 General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
<i>Payroll - Pay 10 TEACHERS (Month 2)</i>	24	Deadline for Travel/Expenses Claims - Pay 10 Teachers Month 2	13/05/2015	Departments
	25	Deadline for Timesheets to Payroll Pay 10 Teachers Month 2	18/05/2015	Departments
	26	Processing Pay 10 Teachers Month 2	18/05/15 to 20/05/15	Payroll Section
	27	Accrual Pay 10 Teachers Month 2 (if any)	15/05/2015	Consolidated Team - Astrid Ronald
7. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	1	Department cut off date to send debtor accounts to Debtors Section	27/03/2015	Departments
	2	Input of old year debtor accounts (Central and Local)	27/03/15 to 31/03/15	Debtors Section
	3	Year end reports produced	31/03/2015	Debtors Section
	4	Sundry Debtor account reconciliations	01/04/15 to 22/04/15	Debtors Section
	5	Calculation of Bad Debt Provision	23/04/15 to 27/04/15	Debtors Section
	6	Process journal adjusting ledger for change in BDP	28/04/2015	Debtors Section
	7	Sundry Debtor accounts complete	28/04/2015	Debtors Section
<i>Housing Benefit Overpayments</i>	8	Calculation of Housing Benefit Overpayment Debtor	01/04/15 to 07/04/15	Housing Benefits Section
	9	Calculate associated bad debt provision	08/04/15 to 09/04/15	Housing Benefits Section
	10	Process journals for housing benefit overpayments	10/04/2015	Housing Benefits Section
	11	Housing Benefit Overpayments Complete	10/04/2015	Housing Benefits Section
<i>Banking</i>	12	All monies/cheques should be banked	31/03/2015	Departments
	13	Monies/cheques received after final banking relating to 14/15 to be added to accruals template	01/04/15 to 02/04/15	Departments
<i>E-Income Journals</i>	14	Deadline for E- Income Journals to Cash Section. Witchburn Road, C'town	31/03/2015	Departments
	15	Cash Section to process year-end E-income journals	01/04/15 to 02/04/15	Departments
<i>Bank Reconciliations</i>	16	Request bank certificates for all accounts	02/03/2015	Corporate - Sandra Coles
	17	Bank reconciliation on expenditure account	01/04/15 to 30/04/15	Creditors Section
	18	Bank reconciliation on Council Tax and NDR account	01/04/15 to 30/04/15	Revenues - Alison Millar
	19	Bank reconciliation on Income Account	01/04/15 to 30/04/15	Revenues - Alison McGeachy
	20	Bank reconciliation on Housing Benefit Account	01/04/15 to 30/04/15	Benefits - Karen McLarty
	21	Bank reconciliation on Land Contamination Bank Account	01/04/15 to 30/04/15	Corporate - Sandra Coles

Appendix 1 - Year End 2015 General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
<i>Imprests</i>	22	Imprest certificates/returns issued to imprest holders	02/03/2015	Creditors Section
	23	Establishments complete certificates/returns	01/04/15 to 22/04/15	Departments
	24	Deadline for return of Certificates to Cash Section	22/04/2015	Departments
	25	Reconciliation of all Imprest balances (including schools)	23/04/15 to 29/04/15	Creditors Section
	26	Process final imprest adjustments in ledger	29/04/2015	Creditors Section
	<i>Other Income Accruals / Deferred Income</i>	27	Income Accrual / Deferred Income Templates issued to departments	02/03/2015
28		Departments complete other income accrual/ deferred income templates	01/04/15 to 22/04/15	Departments
29		Dept's cut-off date for return of income accruals / deferred income template to Strategic Finance Teams	22/04/2015	Departments
30		Consolidates team check and process income accruals / deferred income	23/04/15 to 30/04/15	Consolidated Team
8. Internal Recharges		1	Final date for producing 2014/2015 Internal recharges	31/03/2015
	2	Deadline for coded recharges to be sent to Corporate Support	08/04/2015	Departments
	3	Internal Recharges uploaded into the ledger	09/04/2015	Consolidated Team - Elaine Maxwell
	4	Outstanding Accounts cleared from Internal Recharge system	09/04/2015	Consolidated Team - Elaine Maxwell
	5	Departments to clear 29901 accounts	10/04/15 to 15/04/15	Departments
9. Stores and Work in Progress - Stores	1	Internal Audit issue instructions to Stores	02/03/2015	Internal Audit
	2	Departments prepare for stock count	03/03/15 to 30/03/15	Departments
	3	Stock count	31/03/2015	Departments
	4	Stock certificates to be completed and sent to Principal Accountant, both Development and Infrastructure Services and Community Services	01/04/15 to 21/04/15	Departments
	5	Principal Accountants to review certificates and process final journal	22/04/15 to 24/04/15	Principal Accountants - Departmental
<i>Work in Progress</i>	6	Department prepares a valued list of Works in Progress	01/04/15 to 01/05/15	Departments
	7	Pass to Principal Accountant for Review and Journal Processing	05/05/15 to 07/05/15	Principal Accountants - Departmental
	8	Consolidation Adjustments	08/05/2015	Corporate Support - Moira Miller

Appendix 1 - Year End 2015 General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
10. Control and Suspense Accounts - Control Accounts	9	Finalise Lead Schedule and Working Papers	08/05/2015	Corporate Support - Moira Miller
	1	Report issued to Control Account Holder	01/04/2015	Consolidated Team - Astrid Ronald
	2	Clear balance or complete Carry Forward of Control Account Balance form	02/04/15 to 05/05/15	Departments
Suspense Accounts	3	Transfer of control account balances to Balance Sheet	06/05/15 to 07/05/15	Consolidated Team - Astrid Ronald
	4	Report issued to Suspense Account Holder	01/04/2015	Consolidated Team - Astrid Ronald
	5	Balance should be cleared (excluding payroll suspense which should be cleared by 14 April for Pay07 entries and 20 April for Pay10)	02/04/15 to 30/04/15	Departments
11. Journals and Feeders	1	Opening of April and Adjust Periods	31/03/2015	Consolidated Team - Astrid Ronald
	2	Departments prepare and input journals	01/04/15 to 05/05/15	Departments
	3	Dept's cut off date for journals	05/05/2015	Departments
	4	Processing of Central Finance journals	01/04/15 to 05/05/15	Consolidated Team
	5	Final feeders from roads costing to general ledger	01/04/15 to 30/04/15	Departmental Strategic Finance - Joyce Cowan
	6	Temporary closure of general ledger (adjust) and production of departmental final outturn reports	30/04/2015	Departmental Strategic Finance - Caroline Whyte
	7	Preparation and input of any final journals identified	06/05/15 to 13/05/15	Consolidated Team
	8	Central support / departmental admin recharging	14/05/15 to 15/05/15	Corporate - Anne Macdougall
	9	Input of Council Tax & NDR Journals / Clearance of Raw Cash Accounts	01/04/15 to 15/05/15	Departmental Strategic Finance - Caroline Whyte
	10	Closure of 2014/2015 ledger	15/05/2015	Corporate Support - Moira Miller

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
1. Year end monitoring and analytical review	1	Issue Earmarking Template to Principal Accountants	24/04/2015	Departmental - Caroline Whyte
	2	Completion and return of earmarking template	27/04/15 to 13/05/15	Departmental - Principal Accountants
	3	Preparation of year-end monitoring reports and analytical review	14/05/15 to 15/05/15	Departmental - Caroline Whyte
	4	Distribution of year-end monitoring reports to Departments	18/05/2015	Departmental - Caroline Whyte
	5	Perform year-end monitoring and analytical review procedures	19/05/15 to 29/05/15	Departmental - Principal Accountants
	6	Deadline for return of completed monitoring and analytical review templates	29/05/2015	Departmental - Principal Accountants
	7	Preparation of Year-end Revenue Budget Monitoring Corporate Overview and Committee Report	01/06/15 to 03/06/15	Departmental - Caroline Whyte
	8	Deadline for Reports to SMT	03/06/2015	Departmental - Caroline Whyte
2. Comprehensive Income and Expenditure Statement	1	Run Retained Earnings Proof	18/05/15 to 20/05/15	Corporate - Moira Miller
	2	Run Comprehensive Income & Expenditure download	18/05/15 to 20/05/15	Corporate - Moira Miller
	3	Produce final outturn Comprehensive Income & Expenditure Statement Summary	18/05/15 to 20/05/15	Corporate - Moira Miller
	4	Complete Comprehensive Income & Expenditure Statement	21/05/15 to 22/05/15	Corporate - Moira Miller
3. Comprehensive Income and Expenditure Statement Notes	5	Comprehensive Income & Expenditure Statement completed	22/05/2015	Corporate - Moira Miller
	1	Complete General Fund Earmarking Note (Note 5)	14/05/2015	Departmental - Caroline Whyte
	2	Complete Segmental Reporting Note for Accounts (Note 6)	25/05/15 to 26/05/15	Corporate - Moira Miller
	3	Complete Other Operating Income and Expenditure Note (Note 7)	18/05/2015	Corporate - Moira Miller
	4	Complete Agency Income Note (Note 8)	18/05/2015	Consolidated Team - Duncan MacBrayne
5	Community Care Health (Scotland) Act 2002 note(Note 9), also need to consider initial disclosures for Health and Social Care Integration	18/05/15 to 29/05/15	Departmental - Mary McCallum	

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	6	Complete Waste Management PPP note (Note 10)	18/05/15 to 22/05/15	Departmental - Murray MacFarlane
	7	Complete Fees Payable to External Auditors note (Note 11)	18/05/2015	Corporate - Moira Miller
<i>Related Parties (Note 13)</i>	8	Complete Grant Income note (Note 12)	18/05/15 to 20/05/15	Corporate - David Dunlop
	9	Arrange for related party letters to be sent to members and senior officers	25/03/2015	Corporate - David Dunlop
	10	Scottish Government (Note 13.1) - check narrative.	18/05/2015	Corporate - Moira Miller
	11	Complete Members related party transactions exceeding £10k table (Note 13.2)	18/05/15 to 22/05/15	Corporate - David Dunlop
	12	Complete other related bodies note, identifying those that exceed £10k (Note 13.3)	18/05/15 to 22/05/15	Corporate - David Dunlop
	13	Comprehensive Income & Expenditure Statement Notes completed	29/05/2015	Corporate - Moira Miller
3. Balance Sheet - PPE (Note 14)	1	Complete Movement in Property Plant and Equipment note (Note 14.1)	18/05/15 to 22/05/15	Corporate - Anne Macdougall
	2	Complete Valuation of Property, Plant and Equipment note (Note 14.2)	18/05/15 to 22/05/15	Corporate - Anne Macdougall
	3	Summary of Capital Expenditure and Financing (14.3)	18/05/15 to 29/05/15	Corporate - Peter Cupples
	4	Commitments under Capital Contracts (14.4)	25/05/15 to 26/05/15	Corporate - Anne Macdougall
	5	Provide Reconciliation of Carrying Values	27/05/2015	Corporate - Anne Macdougall
	6	Complete Heritage Asset Disclosures (Note 15)	27/05/2015	Corporate - Anne Macdougall
	7	Complete Movement in Intangible Fixed Assets note (Note 16)	28/05/2015	Corporate - Anne Macdougall
	8	Complete Movement in Investment Property note (Note 17.1)	28/05/2015	Corporate - Anne Macdougall
	9	Calculate Investment Property Income and Expenditure and complete note (Note 17.2), ensure reconciles to analysis of investment income on face of CI&E	29/05/2015	Corporate - Anne Macdougall
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	10	Complete Assets Held under Schools NPDO contract note (Note 18.1)	05/05/15 to 06/05/15	Corporate - Moira Miller
	11	Complete Schools NPDO Finance Lease Liability note (Note 18.2)	05/05/15 to 06/05/15	Corporate - Moira Miller
	12	Complete Payments due to Operator Under Schools NPDO Contract note (Note 18.3)	05/05/15 to 06/05/15	Corporate - Moira Miller

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
Cash and Cash Equivalents (Note 23)	47	Cash Held by the Authority (Imprests)-provide working papers	30/04/2015	Creditors Section
	48	Cash in Transit - working Papers	18/05/2015	Revenues - Alison Millar
	49	Handelsbanken Deposit Accounts - working papers	05/05/2015	Corporate - Sandra Coles
CC&E - Short Term Deposits	50	BoS Corporate Deposit - working papers	05/05/2015	Corporate - Sandra Coles
	51	CB Instant Access Account - working papers	05/05/2015	Corporate - Sandra Coles
	52	RBS Instant Access Account - working papers	05/05/2015	Corporate - Sandra Coles
	53	Money Market Funds	05/05/2015	Corporate - Sandra Coles
	53	Income Bank Account - working papers	01/05/2015	Revenues - Alison McGeachy
CC&E - Bank Overdraft Working Papers	54	Expenditure Bank Account - working papers	01/05/2015	Creditors Section
	55	Housing Benefits Bank Account - working papers	01/05/2015	Benefits - Karen McLarty
	56	Council Tax / NDR Bank Account - working papers	01/05/2015	Revenues - Alison Millar
	57	Finalise Lead Schedule and Working Papers	06/05/2015	Corporate - Sandra Coles
	58	Complete Cash and Cash Equivalents Note (24)	06/05/2015	Corporate - Sandra Coles
Creditors (Note 24)	59	WGA - Complete Cash Holding Section	07/05/2015	Corporate - Moira Miller
	60	Accrued Payrolls - Pull overall figure together for Accrued Payrolls	18/05/2015	Consolidated Team - Ailsa Laing
	61	Teachers - Identification of year end balance on teachers superannuation control account as at 31 March 2015	18/05/2015	Consolidated Team - Ailsa Laing
Short Term Accumulating Absences	62	Non-teachers - Identification of year end balance on non-teachers superannuation control account as at 31 March 2015	18/05/2015	Consolidated Team - Ailsa Laing
	63	Teachers - Provision of working papers for creditors	07/04/2015	Corporate - Anne Macdougall
	64	Non Teachers - Provision of working papers for creditors	08/04/2015	Corporate - Anne Macdougall
CC&E - Bank Overdraft Working Papers	65	Creditors System Liability (Core Payables) - Working papers/discoverer report	15/04/2015	Consolidated Team - Astrid Ronald
	66	Accrued Expenditure/deferred income - Pull summary sheet together with links to templates to help auditors choose sample	01/05/2015	Consolidated Team - Linda Williamson
	67	Other Creditors - various departmental (provision of working papers)	18/05/15 to 22/05/15	Corporate - Moira Miller
Creditors (Note 24)	68	Finalise Lead Schedule and working Papers	25/05/2015	Corporate - Moira Miller
	69	Complete Creditors Note (24)	25/05/2015	Corporate - Moira Miller

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
<i>Borrowings (Financial Instruments) - Note 25</i>	70	WGA - Complete Creditors Section	25/05/2015	Corporate - Moira Miller
	71	Completion of Borrowings/Financial Instruments Working Papers	25/05/15 to 29/05/15	Corporate - Sandra Coles
	72	Financial Instruments - Types - Note 25.1	28/05/15 to 29/05/15	Corporate - Peter Cupples
	73	Financial Instruments - Fair Value - Note 25.2	28/05/15 to 29/05/15	Corporate - Peter Cupples
	74	Financial Instruments - Gains and Losses - Note 25.3	28/05/15 to 29/05/15	Corporate - Peter Cupples
	75	Financial Instruments - Risks - Note 25.4 to 25.9	28/05/15 to 29/05/15	Corporate - Peter Cupples
	76	Financial Instruments - Risks - Note 25.10 to 25.11	28/05/15 to 29/05/15	Corporate - Peter Cupples
	77	Borrowings/Financial Instruments - Complete Accounts	28/05/15 to 29/05/15	Corporate - Peter Cupples
<i>Other Liabilities (Note 26)</i>	78	WGA - Borrowing Figures	01/06/2015	Corporate - Moira Miller
	79	Schools NPDO Finance Lease Liability	06/05/2015	Corporate - Moira Miller
	80	Waste PPP Land Contamination - Provision of working paper, same as long term debtor.	30/04/2015	Corporate - Sandra Coles
	81	Finalise Lead Schedule and Working Papers	07/05/2015	Corporate - Moira Miller
	82	Complete Other Liabilities Note (28)	07/05/2015	Corporate - Moira Miller
<i>Provisions (Note 27)</i>	83	WGA - Complete Deferred Liability Section	07/05/2015	Corporate - Moira Miller
	84	SRC Insurance claims - Calculate provision and provide working papers	05/05/2015	Corporate - Moira Miller
	85	Equal Pay Claims - Calculate provision and provide working papers	05/05/15 to 11/05/15	Corporate - Anne Macdougall
	86	Registered Social Landlords - Calculate provision and provide working papers	05/05/2015 - 18/05/15	Corporate - Anne Macdougall
	87	Reorganisation Redundancy Costs - Calculate provision and provide working papers	05/05/2015 to 11/05/15	Corporate - Anne Macdougall
	88	Utilities Provision - Calculate provision and provide working papers	22/04/15 to 28/04/15	Departmental - Caroline Whyte
	89	Other Provisions - Calculate provisions and provide working papers	22/04/15 to 28/04/15	Departmental Accountants
	90	Split Provisions between short and long term	19/05/2015	Corporate - Anne Macdougall
	91	Provisions Note (27)	19/05/2015	Corporate - Anne Macdougall
	92	Finalise Lead Schedule and Working Papers	19/05/2015	Corporate - Anne Macdougall
	93	WGA - Complete Provisions Section	20/05/2015	Corporate - Moira Miller
<i>Pension Assets and Liabilities (Note 28)</i>	94	Calculation of Accrued Pension Contribution (28.1)	05/05/2015	Corporate - Moira Miller
	95	Transactions Relating to Retirement Benefits (28.2)	05/05/2015	Corporate - Moira Miller

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	96	Assets and Liabilities in Relation to Post Employment Benefits (28.3)	05/05/2015	Corporate - Moira Miller
	97	Pension Assets and Liabilities Recognised in the Balance Sheet (28.4)	05/05/2015	Corporate - Moira Miller
	98	Analysis of Pension Fund Assets (28.5)	05/05/2015	Corporate - Moira Miller
	99	Basis for Estimating Assets and Liabilities (28.6)	05/05/2015	Corporate - Moira Miller
	100	Impact on Authority's Cash Flow (28.8)	05/05/2015	Corporate - Moira Miller
	101	WGA Complete Pensions Section (IAS19)	06/05/2015	Corporate - Moira Miller
	102	Balance Sheet Complete	29/05/2015	Corporate - Moira Miller
4. Other Notes to the Financial Statements	1	Note 1 - Review and amend accounting policies	02/03/2015	Corporate - Moira Miller
	2	Note 2 - Accounting Standards Issued but Not Yet Adopted	03/03/2015	Corporate - Moira Miller
	3	Note 3 - Critical Judgements in Applying Accounting Policies	03/03/2015	Corporate - Moira Miller
	4	Note 4 - Assumptions / Estimation Uncertainty	30/04/2015	Corporate - Moira Miller
	5	Note 31 - Contingent Liabilities	20/05/2015	Corporate - Anne Maccougall
	6	Note 32 - Termination Benefits	21/05/2015	Corporate - Anne Maccougall
	7	Note 33 - Trust Funds and Other Third Party Funds (Part of preparing accounts for charities and other trusts)	18/05/15 to 29/05/15	Corporate - Sandra Coles
	8	Note 34 - Common Good Funds (Prepare Accounts for Common Good Funds and collate information for Oban and Campbelltown Funds)	18/05/15 to 29/05/15	Corporate - Sandra Coles
5. Statement of Movement in Reserves	1	Analysis of General Fund Balance Movement	25/05/15 to 26/05/15	Corporate - Moira Miller
	2	Analysis of amounts included in Cl&E but excluded from General Fund	25/05/15 to 26/05/15	Corporate - Moira Miller
	3	Analysis of amounts included in General Fund but excluded from Cl&E	25/05/15 to 26/05/15	Corporate - Moira Miller
	4	Transfer to from General Fund Balance	25/05/15 to 26/05/15	Corporate - Moira Miller
	5	Breakdown of amounts additional to surplus/deficit on Cl&E	25/05/15 to 26/05/15	Corporate - Moira Miller
	6	Revaluation Reserve	25/05/15 to 26/05/15	Corporate - Moira Miller
	7	Capital Adjustment Account	25/05/15 to 26/05/15	Corporate - Moira Miller
	8	Usable Capital Receipts Reserve	25/05/15 to 26/05/15	Corporate - Moira Miller
	9	Capital Fund	25/05/15 to 26/05/15	Corporate - Moira Miller

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	10	Financial Instruments Adjustment Account	25/05/15 to 26/05/15	Corporate - Moira Miller
	11	Repairs and Renewals	25/05/15 to 26/05/15	Corporate - Moira Miller
	12	Education	25/05/15 to 26/05/15	Corporate - Moira Miller
	13	Vehicles	25/05/15 to 26/05/15	Corporate - Moira Miller
	14	Statement of Movement in Reserves Complete	26/05/2015	Corporate - Moira Miller
	15	WGA - complete reserves section	19/06/2015	Corporate - Moira Miller
	1	Revaluation Reserve	01/06/15 to 02/06/15	Corporate - Moira Miller
6. Cash Flow Statement - Analysis of Balance Sheet Movements	2	Capital Adjustment Account	01/06/15 to 02/06/15	Corporate - Moira Miller
	3	Capital Activities Cash/Non Cash Transactions	01/06/15 to 02/06/15	Corporate - Moira Miller
	4	Other Revenue Items not involving the movement of funds	01/06/15 to 02/06/15	Corporate - Moira Miller
	5	Accrual Adjustments	01/06/15 to 02/06/15	Corporate - Moira Miller
	6	Complete Operating Activities (Note 36)	01/06/15 to 02/06/15	Corporate - Moira Miller
	7	Complete Operating Activities Section of Statement	01/06/15 to 02/06/15	Corporate - Moira Miller
<i>Other Cash Flow Activities</i>	8	Investing Activities (Note 37)	01/06/15 to 02/06/15	Corporate - Moira Miller
	9	Financing Activities (Note 38)	01/06/15 to 02/06/15	Corporate - Moira Miller
	10	Cash Flow Statement Complete	02/06/2015	Corporate - Moira Miller
7. Council Tax Income Account	1	Prepare CTI Main Accounting Statement	18/05/15 to 21/05/15	Departmental - Caroline Whyte
	2	Prepare and complete Calculation of Council Tax Base note	22/05/2015	Departmental - Caroline Whyte
	3	Council Tax Income Account Complete	22/05/2015	Departmental - Caroline Whyte
8. NDR Income Account	1	NDRI Main Accounting Statement	25/05/15 to 28/05/15	Departmental - Caroline Whyte
	2	Analysis of Rateable Values	29/05/2015	Departmental - Caroline Whyte
	3	NDR Charge	29/05/2015	Departmental - Caroline Whyte
	4	NDR Income Account Complete	29/05/2015	Departmental - Caroline Whyte
9. Remuneration Report	1	Councillors - Review policy and arrangements for changes	16/03/15 to 17/03/15	Corporate - Moira Miller
	2	Councillors Remuneration	18/05/2015	Consolidated Team - Ailsa Laing
	3	Senior Councillors' Remuneration	20/05/15 to 21/05/15	Consolidated Team - Ailsa Laing
	4	Senior Councillors Pension Benefits	22/05/2015	Corporate - Moira Miller
	5	Review policy and arrangements - senior employees	16/03/15 to 17/03/15	Corporate - Moira Miller
	6	Employees remuneration (Bands over £50,000)	22/05/15 to 25/05/15	Consolidated Team - Ailsa Laing
	7	Senior Employees' Remuneration	26/05/2015	Consolidated Team - Ailsa Laing

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	8	Senior Employees' Pension Benefits	27/05/2015	Corporate - Moira Miller
	9	Employee Exit Packages	26/05/15 to 27/05/15	Corporate - Anne Macdougall
	10	Remuneration Report Complete	27/05/2015	Corporate - Moira Miller
	11	Submit draft remuneration report to SMT (1 June 2015 meeting)	27/05/2015	Corporate - Moira Miller
	12	Brief Council Leader on remuneration report	w/c - 01/06/2015	Section 95 Financial Officer
	13	E-mail all members appearing on remuneration report with details.	w/c - 01/06/2015	Corporate - Moira Miller
10. Group Accounts	1	Determination of Group Structure	02/03/2015	Corporate - Moira Miller
	2	Single Entity Accounts	03/06/2015	Corporate - Moira Miller
	3	Common Good Accounts	03/06/2015	Corporate - Moira Miller
	4	Associates Accounts	03/06/2015	Corporate - Moira Miller
	5	Consolidation	03/06/2015	Corporate - Moira Miller
	6	Completion of Group Accounts and Notes	03/06/2015	Corporate - Moira Miller
	7	Group Accounts and Notes Complete	03/06/2015	Corporate - Moira Miller
11. Corporate Governance Statement	1	Completion of Corporate Governance Statement	By 03/06/2015	Kevin Anderson
12. Management Commentary	1	Completion of Management Commentary	01/06/15 to 03/06/15	Corporate - Peter Cupples
	1	2015 ANNUAL ACCOUNTS COMPLETE	03/06/2015	Corporate - Moira Miller
13. Summary Accounts and Financial Snapshot	1	Complete Summary Accounts and Financial Snapshot	18/05/15 to 03/06/15	Corporate - Elizabeth Moller
14. Treasury Management Annual Report	1	Complete Treasury Management Annual Report	18/05/15 to 03/06/15	Corporate - Sandra Coles
15. Year-end Capital Plan Monitoring Report	1	Complete Year-end Capital Plan Monitoring Report and covering Committee Report	18/05/15 to 03/06/15	Corporate - Anne Macdougall
16. S106 Charity Accounts Prepared	1	Prepare S106 Charity Accounts	18/05/15 to 03/06/15	Corporate - Sandra Coles
17. Annual Efficiency Statement	1	Confirm End of Year Efficiency Savings	30/04/2015	Departmental Principal Accountants
	2	Update Efficiency Savings within Pyramid	01/05/15 to 15/05/15	Consolidated Team - Ailsa Laing
	3	Annual Efficiency Statement prepared	18/05/15 to 29/05/15	Departmental Strategic Finance Teams
	4	Annual Efficiency Statement Complete	29/05/2015	Departmental - Kirsty Flanagan
18. Final Procedures	1	Section 95 Financial Officer final review of Annual Accounts, and accompanying year end reports (See above 13-17)	04/06/15 to 05/06/15	Section 95 Financial Officer

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	2	SMT/Full Council/ Audit Committee Papers ready (complete year end pack) to be sent Governance and Law	05/06/2015	Corporate - Peter Cupples
	3	Strategic Management Team Meeting (SMT)	08/06/2015	Section 95 Financial Officer
	4	Brief Council Leader/senior politicians on Annual Accounts and accompanying reports pack.	w/c - 08/06/2015	Section 95 Financial Officer
	5	Audit Committee	19/06/2015	Section 95 Financial Officer
	6	Full Council Meeting (Special)	25/06/2015	Section 95 Financial Officer
	7	Signature by Section 95 Financial Officer	25/06/2015	Section 95 Financial Officer
	8	Unaudited Accounts produced and submitted to appointed auditor	26/06/2015	Corporate - Moira Miller
	9	Unaudited Accounts published on Local Authority website.	26/06/2015	Consolidated Team - Astrid Ronald
19. Notice of Public Right to Inspect and Object to Accounts	1	Preparation of Public Notice for placing in local papers	04/06/2015	Consolidated Team - Linda Williamson
	2	Public Notice placed in local papers (Section 195 of the 1973 Act)	11/06/15 to 12/06/15	Consolidated Team - Linda Williamson
	3	Public Notice placed on Local Authority website	11/06/15 to 17/07/15	Consolidated Team - Astrid Ronald
	4	Public Notice placed in offices of the Local Authority	11/06/15 to 17/07/15	Consolidated Team - Linda Williamson
	5	Distribution of Unaudited Annual Accounts to Area Offices	26/06/2015	Consolidated Team - Linda Williamson
	6	Period of Inspection of Unaudited Annual Accounts	29/06/15 to 17/07/15	General Public
	7	Period for registering an objection	29/06/15 to 20/07/15	General Public
	1	Net Cost of Service Analysis	13/07/15 to 15/07/15	Corporate - Moira Miller
20. Whole of Government Accounts Return	1			
	2	Net Operating Expenditure (Group Accounts)	16/07/2015	Corporate - Moira Miller
	3	Counter Party Data	17/07/2015	Corporate - Moira Miller
	4	Additional Disclosures	20/07/15 to 21/07/15	Corporate - Moira Miller
	5	Unaudited WGA Return complete and returned to Scottish Government	21/07/2015	Corporate - Moira Miller
	6	Submission of Unaudited WGA Return to External Audit	28/08/2015	Corporate - Moira Miller
	7	Sign off of WGA Return and electronic submission to Scottish Government	02/10/2015	External Audit / Corporate - Moira Miller
21. Final Accounts Audit	1	Final Accounts Audit Field Work	01/07/15 to 28/08/15	External Audit

Work Area	Task No.	Task Description	2014-15 Dates	Lead Responsibility
	2	Final Clearance Meeting with Section 95 Financial Officer (latest date 11/09/2015)	w/c - 07/09/2015	Fiona Mitchell Knight (Audit Scotland) and S95 Financial Officer
	3	Amendments processed and Production of Final Accounts complete with Audit Certificate for signing (latest date 18/09/2015)	w/c - 14/09/2015	Corporate - Moira Miller
	4	Production and agreement of ISA 260 report from External Audit (latest date 18/09/2015)	w/c - 14/09/2015	External Audit
	5	Audit Committee - Consideration of ISA 260 report and Final Audited Accounts	25/09/2015	Audit Committee
	6	Signing of Final Audited Accounts - Leader, Chief Executive, S95 Financial Officer	25/09/2015	Leader, Chief Executive, S95 Financial Officer
	7	Signing of Final Audited Accounts - Audit Certificate	30/09/2015	Fiona Mitchell Knight - Audit Scotland
	8	Signed Audited Annual Accounts published on Website and distributed to local area offices and libraries,	by 31/10/15	Consolidated Team - Linda Williamson

ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

STRATEGIC FINANCE

13 MARCH 2015

INTERNAL AUDIT SUMMARY OF ACTIVITIES

1. EXECUTIVE SUMMARY

1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 4.

1.2 Core activities together with a progress update statement are shown below.

- **14/15 Audit Plan progress:** Audit plan is currently on track. It is anticipated that all planned 14/15 Audits will be completed by 31 March.
- **Individual Audits undertaken:** Eight individual audits have been completed during the period. Of these 8 audits, 6 are rated substantial and 2 are rated limited.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. Reporting is by exception. Management have responded to previous quarter notifications and there are no outstanding issues. A number of school fund checks were carried out during the quarter
- **National Fraud Initiative:** New matches have been released. Review work has commenced and findings will be reported to September 2015 Audit Committee.
- **Development Plan:** Progress continues to be made against revised development plan action points. All items are currently on track.
- **Performance indicators:** Revised indicators are in place and current status is on track / green.

ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

STRATEGIC FINANCE

13 MARCH 2015

INTERNAL AUDIT SUMMARY OF ACTIVITIES

2. INTRODUCTION

2.1 The objective of the report is to provide an update on Internal Audit activity during Quarter 4 against a number of areas;

- 14/15 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- National Fraud Initiative
- Development Plan
- Performance indicators

3. RECOMMENDATIONS

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

4. DETAIL

4.1 The Audit Plan is currently on track and anticipated to be fully completed by 31 March 2014. Eight Audits have been completed as detailed at 4.2. The remaining 3 audits are in progress and are at various stages of completion. These are Business Continuity, Employment and Training and Adult Learning Policy. These will be completed during Quarter 4 and will be submitted to the June committee meeting. One audit, Health and Social Care Integration Governance arrangements, is being carried forward to 15/16 audit plan as it is deemed more appropriate to undertake a review once arrangements are finalised.

4.2 Audits completed to March are detailed in Table 1.

Table 1: Summary of Audits performed in Quarter 3, 2014/15:

Audit Name	Level of Assurance	No. of recommendations/ observations	High Recommendations
Winter Maintenance	Limited	10	3
Flood Risk Management	Substantial	0	0
Fostering and Adoption	Substantial	6	0
CHORD	Limited	8	2
Revenue & Benefits	Substantial	0	0
Communications	Substantial	4	0
Information Security	Substantial	0	0

4.3 Audits planned for the Quarter 1 15/16 are shown in the table below.

Quarter 1
Residential Placements
Roads Maintenance
HR Training
Education – SQA
Health & Safety
Health and Social Care Integration
Catering

4.4 A number of areas which were previously subject to individual audits now form part of our continuous monitoring programme. These areas are tested on a regular basis and detailed reporting will be by exception to Audit Committee. Standard audit tests are applied relevant to each auditable unit. Clients are notified by memo of any concerns and a follow up process is in place to ensure active management /rectification of issues raised. Table 2 below summarises activity to date outlining issues arising and provides a level of assurance.

Table 2: Continuous monitoring programme results:

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
Payroll and Overtime	<ul style="list-style-type: none"> Excessive & Regular Overtime 	<ul style="list-style-type: none"> Street Lighting and Janitorial additional over time regularly occurring 	Substantial	Policy Review and Resource request.
Debtors	<ul style="list-style-type: none"> Supporting Documentation Charging Schedules 	<ul style="list-style-type: none"> Segregation of duties 	Substantial	No action required
Creditors	<ul style="list-style-type: none"> Authorised Signatory List Invoice Batching 	None	Substantial	No action required
General Ledger Controls	<ul style="list-style-type: none"> Cost Centre Creation Budget Virement 	None	Substantial	No action required
Establishment Visits <ul style="list-style-type: none"> No testing carried out this quarter. 	<ul style="list-style-type: none"> Cash Reconciliation's Authorisations Procedures Roles , Responsibilities and Remits 	N/A	N/A	N/A

Audit Unit	Areas Tested	Issues Arising	Assurance Level	Follow up
School Fund checks <ul style="list-style-type: none"> Lochgilphead High School Lochgilphead Primary Ardrishaig Primary Tarbert Academy Tarbert Primary 	<ul style="list-style-type: none"> Compliance with Education Management Circular (EMC) 1.10 General Purpose Funds 	<ul style="list-style-type: none"> In one instance unaware of existence of EMC 1.10 No formal hand-over between staff 	Substantial	Education Management are currently reviewing circular and issue to all appropriate staff.

4.5 The Audit Commission's NFI team carries out matching work on behalf of Audit Scotland. The 2014-15 exercise timetable is as follows:

From 29 January 2015	The Audit Commission NFI team will make the 2014/15 exercise matches available.
31 March 2016	Audit Scotland will use the outcomes as at this date for the national report
June 2016	Audit Scotland will publish the 2014/15 NFI report

4.6 The matches relating to the DWP deceased data has been released early to enable council's to ensure payments have ceased.

4.7 Council Tax data in relation to Council Tax Reduction Scheme has returned a number of matches and these are currently being reviewed as per the table below. From work undertaken to date, 121 discounts have been removed with an approximate value of £33k.

4.8 A new upload of Council Tax data and the Electoral role is due to take place by the end of February 2015 and a new set of matches will be released shortly after.

Table 3: National Fraud Initiative Matches:

Datasets	Total Matches	Matches Complete	Status of Sample Match Testing	Responsible Officer
Council Tax to Electoral Register	694	421	Residual Cases to be investigated.	Revenues Supervisor
Council Tax rising 18's	147	147	Complete	Revenues Supervisor
Blue Badges to DWP Deceased	52	52	Complete – All issues resolved	Service Point supervisor/ Registrar
Total	891	618		

Table 3.1 – Further release of National Fraud Initiative Matches:

Datasets	Total Matches	NFI Key Filter Matches	Responsible Officer	Target dates for completion of Matches
Housing Benefit	922	172	Counter Fraud Manager	Sept 2015
Creditors	1606	248	Creditors Supervisor	Sept 2015
Payroll	1847	420	Payroll Supervisor	Sept 2015
Personal Budgets	38	4	Finance Officer (Income Max)	Sept 2015
Residential Care Homes	28	7	Finance Officer (Income Max)	Sept 2015
Insurance	0	0	Insurance Assistant	Sept 2015
Total	10710	1309		

4.9 This section highlights progress made against the actions points in our 14/15 Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards.

Table 4: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
<ul style="list-style-type: none"> • Training and CPD 	<ul style="list-style-type: none"> • Formalise our plans for internal audit training, including continuing professional development (CPD) 	On Track: <ul style="list-style-type: none"> • Senior Audit Assistants are signed up to complete IIA Diploma qualification. 	<ul style="list-style-type: none"> • Ongoing
<ul style="list-style-type: none"> • Induction Programme 	<ul style="list-style-type: none"> • Development of Induction process for new members of staff joining the team. 	Target Deadline has been revised as a result of staff absence. <ul style="list-style-type: none"> • Audit Manual is being updated to include induction section 	<ul style="list-style-type: none"> • 31/03/2015
<ul style="list-style-type: none"> • Audit Plan Preparation 	<ul style="list-style-type: none"> • 2015/16 Final Plan submitted to March Audit Committee 	<ul style="list-style-type: none"> • Final Plan submitted to Committee for review. 	Complete
<ul style="list-style-type: none"> • Audit manual 	<ul style="list-style-type: none"> • Development Audit Manual 	On Track: <ul style="list-style-type: none"> • Work has commenced on Audit Manual 	<ul style="list-style-type: none"> • 31/03/2015

Area For Improvement	Agreed Action	Progress Update	Timescale
<ul style="list-style-type: none"> SharePoint site 	<ul style="list-style-type: none"> Creation of Audit share point site to co-ordinate documentation and version control. Track stage progress and publish reports. 	On Track: <ul style="list-style-type: none"> 2 members of staff trained on use. On-going discussion session as to items for inclusion. Structure agreed and site being developed 	<ul style="list-style-type: none"> 31/03/2015 Basic site up operational by deadline then continuous development.

4.10 Internal Audit scorecard data is available on pyramid. The indicators are showing green and / or on track with the exception of Revenue Finance indicator which is off track due to a year to date overspend in relation to back-filling part year sickness absence. The undernoted table is an extract of the key information.

Internal Audit Team Scorecard 2014 – 15			
FQ 4 14/15			
TEAM RESOURCES			
People			
PRDs IA Team	Target	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	5	5	
Financial			
Revenue Finance	ACTUAL	BUDGET	G →
Year to date	£208,068	£208,340	
Year end	£266,455	£266,455	

NEW INTERNAL AUDIT MEASURES			
% of risks within the SRR audited in reporting period	Actual	46%	G ➔
	Target	30%	
	Benchmark		
Quarterly meetings held with Chair of Audit Committee	Actual	Yes	G ➔
	Target	Yes	
	Benchmark	Yes	
% satisfaction rates from post audit surveys	Actual	100%	G ➔
	Target	80%	
	Benchmark	80%	
% Recommendations followed up	Actual	100%	G ➔
	Target	100%	
	Benchmark		
% customer satisfaction with audit reports	Actual	100%	G ➔
	Target	80%	
	Benchmark	80%	
Percentage qualified staff	Actual	60%	G ➔
	Target	60%	
	Benchmark	60%	
Internal Audit Training hours	Actual	411hrs	G ➔
	Target	500hrs	

5. CONCLUSION

- 5.1 The 14/15 Audit plan is on track and anticipated to be fully complete by 31 March. There are currently no material issues impacting on Internal Audit activity. Good progress continues to be made with a programme of on-going review and continuous improvement in place.

6. IMPLICATIONS

- 6.1 Policy - Internal Audit continues to adopt a risk based approach
- 6.2 Financial -None
- 6.3 Legal -None
- 6.4 HR -None
- 6.5 Equalities - None
- 6.6 Risk – None
- 6.7 Customer Service - None

**Kevin Anderson,
Chief Internal Auditor
13 March 2015**

For further information contact:

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ARGYLL AND BUTE COUNCIL
AUDIT COMMITTEE**STRATEGIC FINANCE****13 MARCH 2014**

INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2014 - 2015

1. EXECUTIVE SUMMARY

- 1.1 There are 8 audits being reported to the Audit Committee. 6 audits have a substantial level of assurance with 2 being rated as limited assurance.
- 1.2 Internal Audit provides a level of assurance upon completion of audit work, this is evaluated as follows:

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

- 1.3 The attached reports contain the action plans which detail those recommendations where Internal Audit in agreement with management has classified the findings either high or medium. Recommendations classified as low have been removed.
- 1.4 A high level summary of each report is noted below:
- **CHORD:** This audit has a limited level of assurance. The audit covered the period 2009 to date and, although not an exhaustive list, highlights a number of issues including project resourcing and level of staff turnover. Project

governance issues are also highlighted in respect of adherence to Prince 2 project management principles, specifically quality and consistency of documentation, numerous brief changes and deviation from recommended practice, i.e. project boards dissolved. Issues were also noted with regards record management arrangements. Internal Audit noted that improvements have been made in the latter years (2013 >)

- **Communications:** This audit has a substantial level of assurance. A communication strategy is in place which covers key objectives, principles, roles and responsibilities, actions, measurement and evaluation protocols. Minor weaknesses were identified in relation to the availability of formal guidance notes and compliance with policy in respect of individual service social media sites.
- **Flood Risk Control:** This audit has substantial level of assurance. It was evidenced that the Council is complying with its general duties in relation to the Flood Risk Management (Scotland) Act 2009 and is actively engaged with associated partner organisations.
- **Fostering and Adoption:** This audit has a substantial level of assurance. It was evidenced that policies and procedures are in place and it was noted that the service was externally graded as “Good” across a range of areas. Weaknesses were identified in respect of completeness of documentation, clarity of roles and responsibilities, record management arrangements and potential data security issues in respect of communication processes.
- **HomeCare - Contract Monitoring:** This audit has a substantial level of assurance. It was evidenced that individual protocols exist which allow monitoring and review activity to take place. Weaknesses were identified in relation to non- availability of an over-arching guidance document and record management arrangements
- **Records Management Plan/ Information Security:** This audit has a substantial level of assurance. It was evidenced that a project is underway to ensure compliance with the requirements of the Keeper of the Records of Scotland will be met by the submission date of June 2016.
- **Revenue & Benefits – Council Tax discount:** This audit has a substantial level of assurance. Appropriate procedures are in place in respect Council Tax discount applications which comply with relevant legislation and policy. Supporting documentation was reviewed and deemed satisfactory in respect of Single Person discount, Empty Homes and 2nd Homes discounts applied during 14/15.
- **Winter Maintenance:** This audit has a limited level of assurance. Weaknesses were identified in a number of areas including variations in service provision and service policy, budget not aligning with service provision, limited reference within service plans, limited performance management data and availability of calibration certificates.

2. RECOMMENDATIONS

- 2.1 Audit Committee note the content of this summary report and detail within each individual report.

3. CONCLUSION

- 3.1 Management has accepted each of the reports submitted and has agreed responses and timescales in the respective action plans. The total number of recommendations made within the 8 audits is 30 as undernoted:

- High – 5
- Medium – 14
- Low – 11

4. IMPLICATIONS

- 4.1 Policy - None
- 4.2 Financial - None
- 4.3 Legal - None
- 4.4 HR - None
- 4.5 Equalities - None
- 4.6 Risk - None
- 4.7 Customer Service – None

Kevin Anderson, Chief Internal Auditor

13 March 2015

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ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	REVIEW OF CHORD
AUDIT DATE	FEBRUARY 2015

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of CHORD within Development and Infrastructure as part of the 2014/15 Internal Audit programme.

A review of the progress of the CHORD capital programme, the impact to date and lessons learned has been planned as part of the 2014-15 Internal Audit plan.

Project Initiation Documents (PID) were prepared for each of the waterfront towns and in June 2009 Argyll and Bute Council agreed a sum in the region of £30m for a programme of investment to assist regeneration and economic development of the waterfront towns.

The CHORD programme aim was to contribute to the creation of an attractive, well connected and modern economy. The objectives of the CHORD programme are listed as:

- *To improve the character, appearance and function of our towns for residents, visitors and investors.*
- *To make our towns places of economic vibrancy that creates employment and prosperity for the residents of Argyll and Bute.*

Details of the current plan are noted below:

Dunoon.

The Dunoon project has a revised budget of £ 9.55m (includes potential funding of £500k from Sportscotland) for the redevelopment of the Queens Hall which will include the town's library, community and leisure facilities. It will also incorporate the relocation of the offices for skills development Scotland and visit Scotland. The impact of this investment is aimed at improving the prospects of retail, leisure and hospitality businesses across the town. It is anticipated new activities will move into the area with increased patronage and tourism spending.

Campbeltown

The Campbeltown project has a Council contribution of £6.5 million towards the regeneration of kinloch road, the enhancement of the berthing facility and town centre heritage initiative. The kinloch road regeneration project included a contribution towards ACHA, Kintyre renewables HUB and towards the relocation and remediation of the former roads depot site. Benefits from these developments are expected in terms of housing, tourism and retail growth.

Helensburgh

The Helensburgh project has a revised budget of £7,23m (includes £350k contribution from SPT and £220k from S75 Agreement) towards the enhancement of the town centres public realm and the West Bay Esplanade. Developments include a more sustainable traffic management scheme in the town centre by reducing traffic in the main streets thus enhancing pedestrian movement, creating event space and a street café culture. The benefits are increased turnover and employment in the retail and hospitality sectors and improved character and appearance of Helensburgh Town centre and the West Bay Esplanade.

Oban

The Oban project has a Council contribution of £6.9 million. Developments include the reconfiguration of Oban Bay Harbour to better meet the needs of users and this includes a transit berthing facility, maritime visitor centre facility and Public Realm works.

Rothesay

The Rothesay project has a Council contribution of £2.4 m towards the town centre heritage initiative and to the redevelopment of Rothesay Pavilion as a community and cultural heritage facility. In addition approximately £6m of external funding has been raised to date.

2. AUDIT SCOPE AND OBJECTIVES

The scope and objectives of the audit are limited to:

- Review business cases for each of the 5 town centres.
- Review progress to date on projects and compare against agreed timescales
- Review governance arrangements.
- Review internal and external communication processes

3. RISKS CONSIDERED

- Projects have appropriate corporate and political support and input
- Reputational risk to the Council in not delivering project
- Inadequate governance arrangements.
- Insufficient external funding
- Full business cases fail to achieve approval
- Insufficient capacity/skills for dealing with number of projects
- Delivery timeline

4. AUDIT OPINION

The level of assurance given for this report is Limited.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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

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

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

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

5. FINDINGS

The following findings were generated by the audit:

Review Project Documentation

- It was evidenced that project management documentation relating to original CHORD projects approved in 2008 followed Prince 2 project management principles.
- It was evidenced that Outline Business Cases (OBC) were prepared for each project and were subject to independent review. It was noted that the independent review conclusions supported the outline business cases.
- Documentation reviewed included the Project Initiation Document (PID) comprising of Project Plan, Initial Risk Register, Communications Plan, Resource Allocation and Project Scope which were all found to be available and complete for the original projects approved by Council in November 2008.

- It was noted that the Oban Development Road project was withdrawn from CHORD by the Council. This decision was taken in order to enable the CHORD team to focus on delivering the Oban harbour area of Oban. A full business case has been developed and agreed for both the Oban Public Realm works and for Oban North Pier Maritime visitors centre.
- Full business cases documentation was evidenced as being in place for all projects with the exception of Rothesay Pavilion and Oban Transit Berthing Facility as these projects have not reached this stage. For those projects where full business cases were prepared they have set out the required elements namely:
 - Does the project meet the required CHORD objectives
 - Project Scope
 - Project Constraints e.g. budgets
 - Strategic Benefits
 - Strategic Risks
 - Critical success factors
 - Affordability
 - Monitoring
 - Achievability

Review progress to date on projects and compare against agreed timescales

- The table below details project information and highlights key milestones and the associated timescales.

No	PROJECT	PID approved	PID Date for Full Business Case Approval	Actual Full Business Case Approval	Original Completion Date per PID	Latest Estd completion date
1	Campbeltown Transit Berthing Facility	June 2009	May 2013	May 2014	Not stated in PID	May 2015
2	Campbeltown - Kinloch Road Regeneration	June 2009	May 2010	April 2010	December 2012	April 2013
n/a	Oban Bay/ Harbour – Originally one full business case, now 3 FBC's-see below	June 2009	December 2009	N/A	N/A	N/A
3	Oban Public realm – Phases 1 and 2 i.e. Stafford street	No PID	n/a	September 2014	November 2014	Phase 1 June 2015 Phase 2 April 2016
4	Oban North Pier Maritime visitor facility	No PID	n/a	September 2014	April 2015	December 2015
5	Oban Transit Berthing Facility(pontoons)	No PID	n/a	To be prepared	n/a	Not yet known
6	Oban –McCaigs Tower Lighting	No PID required	n/a	August 2013	December 2013	December 2013
7	Rothesay Pavilion	June 2009	July 2010	To be prepared	May 2014	July 2017
8	Helensburgh - Town Centre /West Bay	June 2009	October 2011	September 2011	October 2012	March 2015
9	Dunoon Waterfront Queens Hall	June 2010	February 2012	February 2012	Summer 2014	January 2017

- The table shows that all original PID's were signed off in June 2009 for each of the CHORD projects with the exception of the Dunoon Waterfront which was signed off in June 2010.
- Since 2009 two projects have been completed namely the Campbeltown Kinloch Road Development and McCaigs Tower structural lighting.
- It was noted in respect of the Campbeltown Berthing facility the preparation of the full business case was behind schedule. Progress reports highlighted revisions to design proposals and additional modelling requirements which also required updated costings to be prepared.
- The initial Oban Development Road project was withdrawn in 2010 .The project had contained 4 separate projects including various road development proposals but these were deemed not viable in their existing form. Elements of the road development work were transferred to Roads budget and /or have been incorporated into current Oban Bay Public Realm CHORD project. A review of documentation indicates a substantial level of consultation and redesign activity between the period 2011 and 2014, at which point current full business cases were agreed.
- Dunoon CHORD shows a revised completion date of January 2017 against a target date of summer 2014. A PID was agreed June 2010 and a Business Case agreed February 2012. During this period a review was carried out resulting in revisions to the original project brief and additional consultation. Property acquisition delays have also inhibited progress, in one instance resulting in Compulsory Purchase Order (CPO) proceedings which are currently on-going.
- Interviews were held with current project managers and project documentation was reviewed in order to identify the contributing factors to project slippage. Documents reviewed included, project board papers, area committee papers, programme management board papers and highlight/progress reports. A number of themes were identified :
 - **Resources and Skills.** It was noted from highlight reports that issues existed in relation to resourcing and skills set. The number of CHORD projects running concurrently has also been noted as an issue. Project managers were not assigned fully to the CHORD projects and in the initial stages of the programme many of the CHORD projects were managed by officers who had limited project experience and were still required to fulfil their substantive role.
 - **Changes to Project Brief.** It was noted that there were numerous changes to project briefs which contributed to project delays due to the requirement for design changes, renewed consultation and revised funding / costing arrangements.

- **Procurement** .It was noted that in some instances tendering processes were delayed due to potential legal challenge and revision to scope.
- **Contractor Performance**. It was noted that poor contractor performance was a contributing factor in one instance.
- **Land and Property acquisition**. It was noted that the requirement to purchase land/property to allow projects to proceed has contributed to delays, with the requirement in some cases to initiate compulsory purchase order proceedings.
- **Partner Funding**. It was noted that the requirement to secure external funding and negotiations with funding partners has also contributed to delays, however it should be noted that the CHORD team has successfully secured in excess of £6.3m across a range of projects.
- **Staff Turnover**. It was noted that there was a significant level of staff turnover in respect of project managers which contributed to delays prior to January 2015. Out of the 5 CHORD projects areas 3 of these have had changes in project managers within the last 12 months.
- **Project Governance**. It was noted that in Nov 2013 Council agreed to dissolve CHORD project Boards and CHORD programme management boards with management responsibility being passed to the Area Committees and the policy and resources committee. This is a deviation from recommended Prince 2 principles.
- **Project Complexity**: Projects are complex in nature and required input from various departments and services within the Council. A number of other corporate initiatives including Process for Change and Office Rationalisation were running concurrently which in some instances impacted on specific scope and timeline.

Review governance arrangements

- The governance arrangements were outlined by the CHORD programme management board on the 2nd March 2009. The reporting mechanism laid out the process for project governance. A review of available documentation provides assurance that governance arrangements in terms of process were adhered to whereby project teams reported to projects boards who in turn reported to programme management boards and project executive. However, for the period up to 2013 it was noted that documentation was inconsistent, in some instances being limited in content and not evidenced as following a critical path.
- Prince 2 principles stipulate that a project board should display 4 key characteristics namely authority, credibility, ability to delegate and availability.
 - The project boards, until they were dissolved in November 2013, included representation from senior members and officers.
 - It was noted that the project boards were dissolved during 2013 and governance responsibilities were passed to the respective Area Committee which have a wide ranging role in addition to their CHORD remit. Prince 2 principles stipulate that large capital projects should have a dedicated project board.
 - Programme management boards were also dissolved during 2013 and governance responsibilities passed to the policies and resources committee. As with the Area Committees the Policy and Resources committee has a wider remit. It was evidenced that the CHORD programme manager regularly attends this committee and presents a progress report on all the CHORD projects.
 - In addition it was evidenced that the CHORD programme manager attends the Development and Infrastructure Services Strategic Projects Management Team and presents a report on the progress of all CHORD projects.
- The Council agreed that “where possible managers for large capital projects should hold Prince 2 accreditation”. It was noted that not all the project managers assigned to the CHORD programme had Prince 2 accreditation for the full time of the CHORD project.

- Governance arrangements stipulated that the programme manager and the projects manager would maintain a central records system which would contain all programme development records to provide an audit trail to support each deliverable stage. A review of the system showed that there is an inconsistent approach over the 6 years of the CHORD project in the recording of files for each of the 5 waterfront projects.
- In the initial stages highlight reports were prepared on an exception basis. Since governance responsibilities were passed to Area Committees, reports are prepared every 2 months and cover the following headings:
 - Headlines
 - Major Issues
 - Progress against Plan
 - Financial costs against budget
 - Risk Register
 - 4 Week Horizon
- Review of the highlight reports showed detailed information against each of the sub headings post 2013. Prior to this, content was inconsistent and varied in level of detail.
- A review of the CHORD pyramid scorecard data shows there are various measures, however, it was noted that only one related to current progress/performance and the remainder to post completion outcomes.

Review Internal and external communication processes

- Project Initiation document outlined both the Internal and External communication plan which cover the following areas:
 - Project Board Meetings
 - Project Team Meetings
 - Information required at meetings
 - Community Engagement
 - Engagement with key stakeholders
- It was evidenced that requirements outlined in the plan were followed.
- It was noted that a protocol is in place for dealing with media enquiries which are routed via the communication team.

- It was noted that an overarching communication plan for all the CHORD projects is in place.
- The Council has a dedicated CHORD web page within the Council website and provides information relating to each of the projects.

Current CHORD project status against revised plans.

A review of the latest highlight reports completed in December 2014 is summarised below:

- **Campbeltown Berthing Facility.** Contractors on site and project on track and within budget as per projected completion date. Spend to date (Dec 14) is showing £369k against a total budget of £1.67m. Contractor on site in December 2014.
- **Oban Public Realm Phase 1 Stafford Street.** Project is currently on track and within budget. Spend to date for phase 1 is £250k against a total budget including phase 2 of £2.84 m. Stage 1 of a 2 stage construction phase was commenced in January 2015 with phase 1 projected to be complete by June 2015. A risk to timescale has been identified in relation to availability of materials.
- **Oban Public Realm Phase 2 North Pier to Station Square** Project is currently on track . Expenditure position is a part Phase 1 (above). Risks have been identified in relation to flood mitigation measures and site supervision requirements. Funding risks have also been identified in relation to additional requirement of approximately £750k of which Transport Scotland has in principle agreed a contribution of £300k.
- **North Pier Maritime Visitors Centre.** Project currently delayed by approximately 6 months due to Court Proceeding being raised against the Council. Spend to date is £160k against a total budget of £1.6m.
- **Oban Transit Berthing Facility** . Project is currently off track with no agreed completion date. Spend to date is zero against a total budget of £2.0m. A risk in relation to state aid has been identified and alternative options are being scoped by the CHORD team team prior to reporting back to the OLI Area Committee.
- **Rothesay Pavilion.** Project is currently on track and within budget. Spend to date is £382k against total budget of £8.674 m. Risk have been identified in relation to potential funding gap, currently £869k.

- **Dunoon Queens Hall** . Project is currently on track within budget. Spend to date is £254k against a total budget of £9.55m. Bute and Cowal Area committee agreed to increase the budget on 3rd February 2015 from £8.55m to cover increased risk and inflation. The papers note that a risk to funding exists regarding the application of £0.5m funding from Sportscotland.
- **Helensburgh** .Project is currently on track and within budget. Spending to date is £5.4 m against a total budget of £7.23m.
- The CHORD programme of projects remain complex and challenging in terms of delivery but a number of significant improvements have been put in place over the last 12 months to ensure their implementation is undertaken in line within revised timelines and budget. Critically project briefs have been firmed up for each project and a full compliment of appropriately qualified project managers have been recruited to take projects forward. Projects are carefully monitored through the Development and Infrastructure Strategic Projects DMT and improvements have been made to procurement, financial monitoring, databases and risk management.

6. CONCLUSION

This audit has provided a Limited level of assurance. A number of Lesson Learned themes were identified and are showing in Appendix 1. There are also two specific recommendations for improvement identified as part of the audit and these are set out in Appendix 2 together with the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the CHORD staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1. LESSONS LEARNED

Theme	Risk Impact	Management Response	Responsible person
1. Project Resources and Skills			
Resourcing and skills set Project managers were not assigned fully to the CHORD projects and in the initial stages of the programme many of the CHORD projects were managed by officers who had limited project experience and were still required to fulfil their substantive role	Inability to deliver or manage programme in an effective and efficient manner. Failure to adhere to Council agreed project management methodology.	A full complement of suitably qualified Project Managers has now been recruited and has been in place since early 2015. The Pavilion Project currently has a temporary Project Manager in place however a permanent position is currently being recruited.	CHORD Programme Manager
2. Project Scope /Brief			
It was noted that there were numerous changes to project briefs which contributed to project delays due to the requirement for redesign, renewed consultation and revised funding / costings	Failure to clearly define project brief and scope may lead to delay and deviation from agreed outcomes	Emphasis will be on clarity of briefs at outset of projects. CHORD projects now have a firmed up scope /brief and any deviations are tracked via Policy and Resources Committee.	CHORD Programme Manager

Theme	Risk Impact	Management Response	Responsible person
3. Governance			
<p>Project governance arrangements do not fully comply with Prince 2 principles which is the Council's agreed project management methodology. Project documentation is inconsistent in respect of content, detail and in some instances was not evidenced as following a critical path.</p>	<p>Increased risk of poor decision making. Increased risk of not being able to deliver agreed outcomes to scope, timescale and cost.</p>	<p>Council has agreed Area Committee project management responsibilities. CHORD projects are now scrutinised by the Development and Infrastructure Strategic Projects Department Management Team</p>	<p>CHORD Programme Manager</p>
4. Procurement			
<p>It was noted that in one instance tendering processes were delayed due to potential legal challenge and revision to scope.</p>	<p>Failure to adhere to Councils Procurement Policy may lead to legal challenge. Failure to clearly define project brief and scope may lead to delay and deviation from agreed outcomes.</p>	<p>Procurement policy is in place. A new manual has been implemented for use by project managers.</p>	<p>CHORD Programme Manager</p>

Theme	Risk Impact	Management Response	Responsible person
5. Staff Turnover			
<p>It was noted that there was a significant level of staff turnover in respect of project managers.</p>	<p>Loss of project knowledge. Potential project slippage</p>	<p>This turnover of staff has been rectified following the recruitment of a full complement of Project Managers by May 2015. In addition regular meetings of all project managers; use of shared information; use of manuals to cover common procedures i.e. procurement; allows for skills to be shared and developed reducing the impact of future staff turnover.</p>	<p>CHORD Programme Manager</p>
6. Records Management			
<p>A review of record managements arrangements highlighted there is an inconsistent approach in the recording of files for each of the 5 waterfront projects</p>	<p>Failure to have a clear audit trail for documentation can lead to loss of information</p>	<p>The recording of the projects has been consolidated following the appointment of full time administrative support in february 2015.</p>	<p>CHORD Programme Manager</p>

Theme	Risk Impact	Management Response	Responsible person
7. Contractor Performance			
It was noted that poor contractor performance was a contributing factor to project delay in one instance.	Failure of contractors to perform to agreed specification can lead to delays and cost over runs	Monitoring and review process in place to maintain contract performance.	CHORD Programme Manager
8. Project Complexity			
Projects are complex in nature and required input from various departments and services within the Council. A number of other corporate initiatives including Process for Change and Office Rationalisation were running concurrently which in some instances impacted on specific scope and timeline	Failure to consider impact of other initiatives, internal and external on project outcomes.	Project Manager and Programme Manager to ensure project Risk Register identifies any relevant issues.	CHORD Programme Manager CHORD Project Managers

APPENDIX 2.

Action Plan	Risk	Rating	Action	Responsible Person and Implementation Date
<p>Project Governance</p> <p>Project governance arrangements do not fully comply with Prince 2 principles which is the Council's agreed management methodology in respect of Project Board arrangements.</p>	<p>Roles and Responsibilities of Project Board have not been clearly defined.</p>	<p>Medium</p>	<p>Role of Project Board to be communicated to Area Committees and additional training provided where required.</p>	<p>CHORD Programme Manager</p> <p>30th June 2015</p>
<p>Project Complexity</p> <p>Projects are complex in nature and required input from various departments and services within the Council. A number of other corporate initiatives including Process for Change and Office Rationalisation were running concurrently which in some instances impacted on specific scope and timeline.</p>	<p>Project Outcomes are impacted by other internal /external initiatives</p>	<p>Medium</p>	<p>Programme Manager to ensure project Risk Register identifies any relevant issues</p>	<p>CHORD Programme Manager</p> <p>CHORD Project Managers</p> <p>30th June 2015.</p>

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ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	REVIEW OF PUBLIC RELATIONS AND MEDIA
AUDIT DATE	FEBRUARY 2015

2014/2015



1. BACKGROUND

A review of Public Relations and Media within the Communications Section of Customer Services has been planned as part of the 2014/15 Internal Audit programme.

Argyll and Bute Council are committed to keeping citizens, communities and stakeholders with an interest in what we do informed about the services we deliver, our progress and performance.

The Council are committed to providing relevant and useful information in the right place, at the right time and in various formats according to the needs of those using the information.

Local and National media are provided with news releases which are also published to the Councils website.

Social media is also being used as a positive tool to promote services and to improve engagement, consultation and communication.

The council approved a corporate Communications Strategy in September 2012.

2. AUDIT SCOPE AND OBJECTIVES

The scope and objectives of the audit are limited to:

- Review and assessment of the Communications Strategy and Action plan including media protocol and practises.
- The use and development of digital technologies in support of the council's Single Outcome Agreement (SOA) targets regarding the council's reputation and its development of digital services.

3. RISKS CONSIDERED

- SRR - Poor image and reputation including negative external scrutiny. The Council fails to maintain its general reputation with residents, the Community and the wider Local Government Community. The reputation of the council is achieved or affected by the actions and contribution of everyone involved in the life of the council. This audit looks at the role of the communications team in supporting a positive reputation.
- ORR - Failure to utilise /promote varying methods of communication both modern and traditional.
- Audit Risk – Failure to communicate relevant information.

4. AUDIT OPINION

The level of assurance given for this report is substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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

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

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

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

5. FINDINGS

The following findings were generated by the audit:

Communications Strategy and Action Plan

- The Communications Strategy and associated action plan was agreed by Council in September 2012.
- It was evidenced that the strategy referred to key elements including objectives, principles, roles and responsibilities, actions, measurement and evaluation however it was noted that documentation was not succinct and referred to information in detail contained in other plans. E.g. SOA background.
- It was evidenced that the strategy document contained specific reference to statistics which are now out of date.
- A review of the action plan highlighted 18 out of 33 actions being complete as at 31 March 2014. The remaining actions are areas for continuous improvement and development.
- It was evidenced that an out of hours protocol is in place with roles and responsibilities defined.

Media Protocol and Practises

- It was evidenced that the communication team have a media protocol in place which is included within the Communication strategy and is deemed fit for purpose.
- It was noted that the protocol is available on the website within the committee papers folders, however it was noted this is not readily available to officers.
- The protocol contains guidance on the use of quotes from members and officers. A sample of 20 proactive news releases was analysed to ascertain compliance with the guidance, the guidance was followed in all but 3 cases. The 3 exceptions were stories which contained more than one quote from council members who were clearly co-operating and the public relations benefits outweighed the restriction on dual quotes.
- Informal protocols are in place in relation to named person(s) in respect of proactive and reactive news communication releases however this is not formally documented.
- It was evidenced that all media releases are appropriately approved and recorded on a media tracking system, however, it was noted that guidance is not available in respect of dealing with Media enquiries.

Development of Technologies

- The service Improvement Plan for 2014-15 includes a key improvement to “Establish a digital communication development plan” the plan is under development and on track.
- It was evidenced that the communications team are developing use of available electronic platforms including:
 - The Twitter News feed, which currently has 7514 followers;
 - Argyll and Bute Council Facebook page with 516 likes, and;
 - Weathering the Storm Facebook page which has 5385 likes (figures as at 5 February 2015).

- It was evidenced the communications team jointly working with the web team and customer services have assisted council services with many different developments in communicating and interacting with their customers and stakeholders.
- A Social Media Policy is in place and contains instruction for the inclusion of guidance on all council social media sites; however it was noted that this has not been adhered to on all sites.

6. CONCLUSION

This audit has provided a Substantial level of assurance. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1 and 2. There is 1 medium recommendation set out in Appendix 1 which will be reported to the Audit Committee. There are 3 low recommendations which are not reported to the Audit Committee. Appendices 1 and 2 set out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Communication team staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Communications Strategy		High/ Medium or Low		
The Communications Strategy is not succinct and refers to out of date statistics.	Inefficient communications process	Medium	Communications Strategy will be revised and updated.	Communications Manager 31 May 2015

APPENDIX 2 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Media Protocol		High/ Medium or Low		
It was noted that the protocol is available on the website within the committee papers folders, however it was noted this is not readily available to officers.	Failure to comply with protocol.	Low	The Media Protocol will be made available on the Hub	Communications Manager 31 May 2015
2. Documented Procedures				High/ Medium or Low
There are no formal documented procedures in place regarding Media enquiries.	Inconsistent service delivery.	Low	A procedure note will be produced.	Communications Manager 31 May 2015
3. Social Media Guidance				High/ Medium or Low
A Social Media Policy is in place and contains instruction for the inclusion of guidance on all council social media sites; however it was noted this has not been adhered to on all sites.	Failure to comply with operational policy leading to inconsistencies.	Low	The Facebook sites will be updated in line with the policy.	Communications Manager 31 May 2015

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Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	Flood Control
AUDIT DATE	November 2014

2014/2015



1. BACKGROUND

The Flood Risk Management (Scotland) Act 2009 aims to reduce the adverse consequences of flooding on communities, the environment, cultural heritage and economic activity. Local authorities have a central role in managing flooding and building flood protection schemes.

SEPA fulfils a strategic oversight role in Flood Risk Management, as well as statutory roles in delivering planning advice, flood forecasting and warning. The Flood Risk Management Act requires a lead local authority to be identified for each Local Plan District. Argyll & Bute Council sits within in two Local Plan Districts – Clyde & Loch Lomond (the Lead Authority is Glasgow City Council) and Highland & Argyll (the Lead Authority is Highland Council). Local Authorities are recognised as Responsible Authorities and have duties placed on them, including, to identify and map all water bodies within their area including surface water and sustainable urban drainage systems, assist SEPA in preparing flood risk assessments, maps and plans as required under the Act and prepare a Local Flood Risk Management Plan and consult on it.

2. AUDIT SCOPE AND OBJECTIVES

This report has been prepared as a result of the Internal Audit review of Flood Preparation arrangements within Development & Infrastructure Service as part of the 2014/2015 Internal Audit programme.

The main objectives of the audit were to assess:

- Where relevant and as per indicative timeline, progress with requirements of Flood Risk Management Act 2009
- Systems and processes in place for identifying potential flood risk areas including mapping and assessment of bodies of water

3. RISKS IDENTIFIED

- Failure to comply with requirements of Flood Risk Management Act.
- Plans and Maps are incomplete with local requirements not addressed.

4. AUDIT OPINION

The level of assurance given for this report is substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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

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

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

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

5. FINDINGS

The following findings were generated by the audit:

General Duties

5.1 It was evidenced that the Council is complying with its general duties in relation to the Flood Risk Management (Scotland) Act 2009.

Maps of Bodies of Water

5.2 It was evidenced that the Council have worked in partnership with SEPA to develop flood maps which are available on their website covering the whole of Argyll & Bute.

Assessment of Bodies of Water

5.3 It was evidenced that the Council adheres with the requirement to assess water courses from time of time.

5.4 It was evidenced that the Council adheres with its duty to carry out clearance and repairs. Inspections are carried out by Roads & Amenity staff and a schedule of works required is prepared.

Joint Working

- 5.5 Argyll & Bute Council sits within in two Local Plan Districts – Clyde & Loch Lomond (the Lead Authority is Glasgow City Council) and Highland & Argyll (the Lead Authority is Highland Council). It was evidenced that Argyll & Bute Council is represented at each Local Plan District by both officers and an Elected Member.
- 5.6 It was further evidenced that Elected Members attend the Local Plan District Joint Committee of Clyde & Loch Lomond Local District. It was found that a similar formal committee is not in place within Highland & Argyll; however joint meetings between Elected Members and officers do take place.
- 5.7 The Council has a Flood Risk Management Group which meets on a quarterly basis. This group consists of officers from across the Council Departments. There are defined Terms of Reference which outline the remit and purpose of the group.

Acquisition of Land

- 5.8 The Act allows for acquisition of land, however, previous schemes have not required the evoking of powers as voluntary agreement with landowners has been reached.

Processes in Place

- 5.9 It was evidenced that there were no formal processes in place for recording flood events, however, the service is in the process of creating a database which will be used to record flood events and this will be used to determine flood risk actions.
- 5.10 Argyll & Bute Council provides flood advice for the general public on the website, including out of hours/emergency contact details.

6. CONCLUSION

This audit has provided a substantial level of assurance. Argyll & Bute Council is currently assessed as working with partner organisations to meet the requirements of the Flood Risk Management (Scotland) Act 2009 placed on them. There were no recommendations for improvement identified as part of the audit.

Thanks are due to staff within Roads & Amenities Services for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	FOSTERING & ADOPTION ARRANGEMENTS
AUDIT DATE	JANUARY 2015

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of the Adoption and Foster Care Services within Children and Families planned as part of the 2014-15 Internal Audit programme.

Adoption legally and permanently secures a child or young person in a loving family. Adoption is widely regarded to offer the best outcomes for many accommodated young children. Fostering is very different to adoption and offers a variety of placement options including permanent care, temporary care and respite care depending on the needs and circumstances of the child or young person's birth parents. Many children and young people are successfully reunified with their birth families.

Argyll and Bute Council Adoption Service provides a service for children, young people and their families, who are assessed as in need of this service. The service recruits and supports adoptive parents to provide families for those children who cannot live with their birth parents or extended family members and whose needs have been assessed as best met in an adoptive family.

The services aims and objectives are to promote the welfare of children and young people who require foster care or substitute family care: meeting education, health, culture, linguistic, racial and religious needs and providing all within the framework of National Care Standards.

Argyll and Bute Council pays Fostering Allowance to 34 foster carer households in respect of 54 placements as at December 2014. There are other approved foster carers who are multi-registered and provide a range of services from emergency placement through to respite and permanent placements. The budget for financial year 14/15 is £827k.

Argyll and Bute Council currently pay adoption allowances in respect of 13 children. Not all families adopting a child are entitled to an allowance – allowances are recommended by an Approval and Matching panel and agreed by the Agency Decision Maker. The budget for Adoption Allowances for financial year 2014/15 is £108k.

The service has been through a service review with a number of management and staff changes. Systems and processes are in some instances in their infancy and under development.

2. AUDIT SCOPE AND OBJECTIVES

The scope and objectives of the audit are limited to:

- Assessment of Fostering allowances framework.
- Review of agreements between Argyll and Bute Council and Foster carers to assess whether they are complete, regularly reviewed and updated.
- Review of Argyll and Bute Foster Carers Handbook including an assessment of training and support available to Foster carers.
- Review of Adoption and Fostering feedback/surveys and questionnaires results and implementation of actions arising.

3. RISKS CONSIDERED

ORR - Failure to improve the life chances of looked after children.

ORR - Failure to ensure vulnerable children and their families are given assistance to help them achieve the best start in life.

Audit Risk: Inconsistency in service delivery.

Audit Risk: Non –compliance with legislative requirements.

4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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

<p>High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> <p>Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> <p>Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p>
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5. FINDINGS

The following findings were generated by the audit:

Fostering Allowances Framework

- It was evidenced that a framework is in place in respect of foster carers' allowances which is compliant with relevant legislation and guidance, detailed and fit for purpose. It was noted that the Framework had also been subject to recent review.
- Payments of foster carers allowances are appropriately authorised prior to payments being made.
- The current payment process is labour intensive with a number of manual interventions. It was noted that a planned move to the care financials within the care-first system has not progressed as scheduled.
- The system for payment of foster carer expenses is a paper based manual procedure.
- It was noted that Community Services and Strategic Finance facilitated an advice session between representatives from HMRC and service users on the tax implications of foster care payments.

Foster Carers Agreements

- There are no guidance procedures available in respect of completion and renewal of agreement documentation.
- Of the files reviewed it was noted that signature sections on the agreements were incomplete, e.g. some did not have the signature of a council representative.
- Of the files reviewed it was noted that reference was made to the Allowance framework however this did not always reflect the updated or current allowances.
- Roles and responsibilities in respect of updating agreements are not clear and as a result there is a risk of agreements not reflecting all agreed changes.
- The content and structure of the agreement is currently under review however it was noted that the work commenced in relation to this in 2013 and to date has yet to completed.

- The commitments given by the Council to the foster carers contained in the agreement include the following:
 - A link worker is named and contact details are given. Sample review of files found this to be in place.
 - The Council provides an annual programme of training events. It was noted that an annual programme has not been developed however individual training sessions did take place.
 - The Council pays membership of The Fostering Network. Payments were evidenced as having been made.
- The commitments given by the Foster Carers to the council contained in the agreement include the following:
 - Agreement to undergo PVG checks: PVG checks were evidenced as taking place.
 - A commitment to provide copies of annual Home and Car Insurance documentation. Copies of relevant documentation were evidenced as having been submitted.
- It was noted that arrangements for record keeping are fragmented and information is held in a number of separate systems, i.e. Hardcopy files, Network drives and formal Information management system (CareFirst).

Foster Carers Handbook

- A foster carers' handbook is in place which is comprehensive and details the information required by carers including procedural guidance and practical advice, however this requires some updates and it was noted that it is currently under review by the Family Placement Team and will be updated pending the adoption of national foster carer review recommendations.
- The handbook is currently a large folder and is given to each foster carer household. An electronic version is not currently available.

Fostering Feedback/Surveys and Questionnaires

- It was evidenced that in respect of Training and Group meetings the Service undertake self-assessment by means of evaluation returns / feedback questionnaires. Feedback is incorporated into self-assessment and corresponding action and improvement plans.
- A requirement of the agreement states Foster Carers should be getting a supportive and helpful service from the Council in undertaking the task of caring for the child. The Service undertakes an annual self-assessment exercise which informs external inspection activity. The service is currently graded "GOOD" in respect of Carers support, Staff, Management and Leadership.

- A named contact for Foster Carers is in place which allows a clear communication channel between both parties. Communication is both informal and formal in nature and issues have been identified in relation the use of personal email addresses by Foster carers and associated data security requirements.

6. CONCLUSION

This audit has provided a substantial level of assurance. There are a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1 and 2. There are 5 medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. There is 1 low recommendation which is not reported to the Audit Committee. Appendices 1 and 2 set out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Community Services, Family Placement team and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Foster Carers Agreements		High/ Medium or Low		
The content and structure of agreement is currently under review. There are no guidance procedures available in respect of completion and renewal of agreement documentation.	Failure to accurately record agreements.	Medium	A procedure will be written and implemented for the renewal of agreements. Including guidance on the formal sign off of agreements and investigating the use of electronic signatures.	Practice Lead – Foster & Adoption March 2015
2. Roles and responsibilities		High/ Medium or Low		
Roles and responsibilities in respect of updating agreements are not clear and a result there is a risk of agreements not reflecting all agreed changes.	Inefficient use of resources and increased risk of error.	Medium	Clarity of responsibility of Family Placement team and The Care Assessment and Reviewing Team will be laid out in new procedure.	Practice Lead – Foster & Adoption May 2015

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
3. Record Keeping		High/ Medium or Low		
It was noted that arrangements for record keeping are fragmented and information is held in a number of separate systems.	Inefficient use of resources, Increased risk of error and poor decision making. Negative impact on transition arrangements.	Medium	The Adoption and Fostering Service operates Carefirst as its primary record keeping system and is in the process implementing further Carefirst modules to improve management information and the payment of allowances.	Practice Lead – Foster & Adoption/ Administrative Assistant/Administrative Officer/Systems Support Officer September 2015
4. Foster Carers Handbook		High/ Medium or Low		
The handbook requires to be updated. Foster carers are provided with a hardcopy in the form a large folder. An electronic version is not currently available.	Increased risk of non-adherence to agreed policy and protocols.	Medium	Update of handbook completed and decision whether to make fully electronic.	Practice Lead – Foster & Adoption September 2015
5. Communications		High/ Medium or Low		
Issues have been identified in relation the use of personal email address by Foster carers and associated data security requirements.	Non-compliance with data security and legislative requirements.	Medium	Management will review current practice and give consideration to alternative secure protocols.	Locality Manager – OLI September 2015

APPENDIX 2 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
6. Fostering Allowances Framework		High/ Medium or Low		
The current system is labour intensive with a number of manual interventions. It was noted that a planned move to the care financials within the CareFirst system has not progressed as scheduled.	Inefficient use of resources	Low	Move to “care financials” will be rescheduled. The use of electronic templates and signatures will be implemented for Carers expenses.	Practice Lead – Foster & Adoption/ Accountant/Systems Support Officer December2015

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Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	COMMUNITY SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	HOME CARE CONTRACT MONITORING
AUDIT DATE	JANUARY 2015

2014/2015



1. BACKGROUND

This report has been prepared as a result of the internal audit review of Home Care Contract Monitoring within Community services as part of the 2014/2015 internal audit programme. The Audit specifically focussed on home care packages within Cowal & Bute.

Homecare services are provided via a mix of internal and external suppliers. The procurement and commissioning team together with the homecare procurement officers are responsible for best value, contract compliance, quality of services and monitoring customer satisfaction. This is intended to support community services to commission quality care at home services via formal procurement and commissioning procedures.

Argyll and Bute Council's procurement and commissioning team are responsible for the contract and supplier management of these services. This is complimented by the service monitoring and review process carried out by homecare procurement officers and case managers. The procurement and commissioning team carry out quarterly contract management meetings that determine the risk rating of each contract. All contracts are risk rated using a combination of care Inspectorate grades, service concerns and complaints.

The budget for homecare for 14/15 is approximately £10m.

2. AUDIT SCOPE AND OBJECTIVES

The audit was limited to reviewing the following controls:

- Assessment of monitoring and review protocols.
- Compliance with monitoring and review protocols
- Invoice /Billing amounts are correct in respect of approved rates and
- invoicing is only in respect of the service specified.

3. RISKS IDENTIFIED

Operational Risk Register (ORR)

Failure to safeguard vulnerable adults

Failure to adhere to homecare operational policy

Resources not aligned to service requirement

Inadequate monitoring and reporting arrangements

4. AUDIT OPINION

The level of assurance given for this report is substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Limited	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
Very Limited	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

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

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

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

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

5. FINDINGS

The following findings were generated by the audit:

Assessment of monitoring and review protocols

- 5.1 It was evidenced that monitoring and review protocols exist and individual guidance documentation is available; however, procedures are not clearly defined and are fragmented. There is no overarching document that outlines roles and responsibilities.
- 5.2 Protocols exist in terms of quarterly meetings with providers and contracting & commissioning staff. Homecare staff are also represented providing a link to home care service monitoring.
- 5.3 Monthly audits are carried out by procurement and commissioning staff who randomly sample supplier records against agreed service provision.
- 5.4 The procurement and commissioning team is responsible for following up service improvement issues and actions.
- 5.5 Homecare procurement officers undertake service monitoring and review packages on an individual basis.
- 5.6 Spot checks are carried out by homecare procurement officers.

Compliance with monitoring and review protocols

- 5.7 It was evidenced that quarterly contract monitoring meetings are held between the provider, homecare staff, procurement and commissioning staff to discuss any contractual issues, review local issues and to discuss any concerns being raised.
- 5.8 It was evidenced that monthly audits were carried out by procurement and commissioning staff.
- 5.9 It was evidenced that the procurement and commissioning team actively follow-up service issues and improvement actions.
- 5.10 It was evidenced that service monitoring and review procedures support and feed in to overall contract monitoring arrangements.
- 5.11 It was evidenced that homecare procurement officers undertake spot checks of care packages.
- 5.12 Performance improvement officers previously provided quarterly reports to the Area Committees in terms of the target number of reviews to be carried out and the actual carried out. This reporting has now ceased.

Invoice /Billing amounts are correct in respect of approved rates and invoicing is only in respect of the service specified.

- 5.13 Invoices are checked by finance assistants who verify the invoiced amount against agreed service provision and rates.
- 5.14 It was evidenced that invoices are appropriately authorised prior to processing by creditors.
- 5.15 Process flow charts are available for staff to follow in relation to invoice procedures, including checking variations and authorisation.
- 5.16 Procedures and processes are in place to actively recover chargeable elements of home care packages as per community based charging scheme.

General

- 5.17 Quarterly homecare forums are held in which all providers attend to review strategic issues such as emerging themes, joint training and joint working.
- 5.18 Effective budget monitoring arrangements are in place. Monthly homecare budget monitoring reports are produced showing projected outturn against annual budget. Projected activity trends for homecare paid hours (internal and external) reports are produced along with movement in average care hours per day per client.
- 5.19 Self Directed Support (SDS) allows clients to select their care provider. This will have an impact on the contracting framework which may then require to be reviewed, however, there is a clause within the contracts that allows the Council to move services around and continue to meet contract framework obligations.
- 5.20 The Council regularly undertakes an analysis of demand for the service and a resource plan is prepared which is monitored against actual service demand. Monthly reports are produced which show the number of outstanding clients waiting on a home care service.
- 5.21 Homecare providers are selected in accordance with the authority's financial and contract rules and are appropriately authorised.
- 5.22 It was noted that arrangements for record keeping was fragmented and information is held in a number of separate systems i.e. hard copy files, network drives, and formal information management system (Carefirst).

6. CONCLUSION

This audit has provided a substantial level of assurance. There are 3 recommendations for improvement identified as part of the audit set out in Appendix 1 and Appendix 2. There is one medium recommendation which will be reported to the Audit Committee. There are 2 low recommendations which will not be reported to the Audit Committee. Appendix 1 and Appendix 2 sets out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1.		High/ Medium or Low		
It was evidenced that monitoring and review protocols exist but procedures are not clearly defined and are fragmented. There is no overarching document that outlines roles and responsibilities.	Non adherence to policy Incomplete monitoring	Medium	Procedures to be updated and issued to operational staff.	Service Manager Operations, Commissioning Officer Area Managers Meeting for Sign Off April 2015 and implementation thereafter.

APPENDIX 2 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
2.		High/ Medium or Low		
Performance improvement officers previously provided quarterly reports to the Area Committees in terms of the target number of reviews to be carried out and the actual carried out. This reporting has now ceased.	Inadequate reporting leading to poor decision making	Low	Service manager operations to agree format with area managers for reporting to local committees.	Service Manager Operations. June 2015
Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
3.		High/ Medium or Low		
It was noted that arrangements for record keeping was fragmented and information is held in a number of separate systems i.e. hard copy files, network drives, and formal information management system (Carefirst).	Loss of coordination and increased risk of error and poor decision making	Low	Service manager operations to confirm with area managers the agreed arrangements for record retention. Options are Care First or hard copy (Orange Files) only.	Service Manager Operations June 2015

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ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	VERIFICATION AUDIT
AUDIT TITLE	REVIEW OF RECORDS MANAGEMENT PLAN AND INFORMATION SECURITY
AUDIT DATE	JANUARY 2015

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Records Management Plan and Information Security within Customer Services Department as part of the 2014 - 15 Internal Audit programme.

Under the Public Records (Scotland) Act 2011 (“the Act”) Scottish public authorities must produce and submit a records management plan (“RMP”) setting out proper arrangements for the management of an authority’s public records to the Keeper of the Records of Scotland (“the Keeper”) for his agreement under section 1 of the Act.

Section 1 of the act states that:

- (1) Every authority to which this Part applies must—
 - (a) prepare a plan (a “records management plan”) setting out proper arrangements for the management of the authority’s public records,
 - (b) submit the plan to the Keeper for agreement, and
 - (c) ensure that its public records are managed in accordance with the plan as agreed with the Keeper.

- (2) An authority’s records management plan must—
 - (a) identify—
 - (i) the individual who is responsible for management of the authority’s public records, and
 - (ii) (if different) the individual who is responsible for ensuring compliance with the plan, and
 - (b) include, in particular, provision about—
 - (i) the procedures to be followed in managing the authority’s public records,
 - (ii) maintaining the security of information contained in the authority’s public records, and
 - (iii) the archiving and destruction or other disposal of the authority’s public records.

Final record management plan has to be submitted to the Keeper of Record of Scotland by June 2016.

There are 14 elements Scottish public authorities should consider when creating its RMP. These are:

1. Senior management responsibility
2. Records manager responsibility
3. Records management policy statement
4. Business classification
5. Retention schedules
6. Destruction arrangements
7. Archiving and transfer arrangements
8. Information security
9. Data protection
10. Business continuity and vital records
11. Audit trail
12. Competency framework for records management staff
13. Assessment and review
14. Shared information

Information security is governed by the Data Protection Act which controls how your personal information is used by organisations, businesses or the government.

The central governance team in Kilmory oversee, and provide guidance on dealing with Data Protection and subject access requests. Each service has a nominated contact, who will deal with queries of this nature.

All staff responsible for using data have to follow eight strict rules called 'data protection principles', these rules exist to make sure that information is:

- Used fairly and lawfully
- Used for limited, specifically stated purposes
- Used in a way that is adequate, relevant and not excessive
- Accurate
- Kept for no longer than is absolutely necessary

- Handled according to people's data protection rights
- Kept safe and secure
- Not transferred outside the UK without adequate protection

There is stronger legal protection for more sensitive information, such as:

- Ethnic background
- Political opinions
- Religious beliefs
- Health
- Sexual health
- Criminal records

2. AUDIT SCOPE AND OBJECTIVES

The scope and objectives of the audit are limited to:

- Assessment of compliance with the Data Protection Act.
- Assessment of compliance with the Public Records (Scotland) Act 2011.

3. RISKS CONSIDERED

Audit Risk: Non-compliance with Data Protection Act.

Audit Risk: Failure to comply with the Public Records (Scotland) Act 2011

Audit Risk: Reputational risk and negative scrutiny arising from compliance failure

4. AUDIT OPINION

The level of assurance given for this report is substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
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5. FINDINGS

The following findings were generated by the audit:

Element 1 – Senior Management Responsibility

Senior Management Responsibility has been identified as the Executive Director of Customer Services who has overall strategic accountability for records management and also acts as the Council's monitoring officer.

Element 2 – Records Manager Responsibility

Records Manager Responsibility has been identified as the Governance Manager who reports to senior management and has day-to-day operational responsibility for records management.

Element 3 – Records Management Policy Statement

A Records Management Policy Statement describing how we create and manage authentic, reliable and useable records, capable of supporting business activities for as long as they are required is a stipulation of the Act. A draft Records Management Policy has been prepared covering the requirements and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

Element 4 – Business Classification

In terms of Business classification, Argyll and Bute Council has detailed in the register of entries with the Information Commissioner's office, the type/classes of information processed along with the reasons/purposes for processing that information, who the information is about and with whom it is shared. A software solution has been put in place to classify emails through the Council network as "Not protectively marked", "official" or "official – sensitive", a solution has not yet been implemented for other council documentation. This has yet to be completed however it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

Element 5 – Retention Schedules

Argyll and Bute Council currently refers to and intends adopting the retention schedules as published on the website of the Scottish Council on Archives, departmental representatives have been contacted to advise if this content is comprehensive, and if not, to identify documentation held that requires to be recorded on an additional localised retention schedule. This has yet to be completed

however it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

Element 6 – Destruction Arrangements

Destruction Arrangements are in place with an external provider to clear and destroy the hard-drives of obsolete PCs. Hard copy files are placed into orange “confidential waste” bags to be shredded by council officers. The business classification scheme to be implemented will determine how long documentation should be retained and their subsequent arrangements for disposal. This has yet to be completed however it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

Element 7 – Archiving and Transfer Arrangements

Archiving and transfer arrangements will be determined by the exercise to establish what records are held and for how long they are required to be retained. This has yet to be completed however it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

Element 8 – Information Security

- An Information Security Forum is in place; this group comprises of a representative from each Council Service and meets regularly to raise and discuss issues and developments both departmentally and Council-wide along with agreed actions to be taken forward.
- An Information Security Handbook dated 2003 is available on the Public Folders within the Council’s email system; this is a comprehensive document and is currently being updated. An early draft of this, now entitled Information Security and Data Protection Handbook was provided for review and found to be progressing well. Delivery of this document is also within the records management project plan and is scheduled for completion 31 May 2015.
- The Council’s “Acceptable Use Policy” was updated in April 2014 and must be signed by all staff prior to being permitted access to the Council’s networks; this document provides users with guidance on access and use of Council systems (including password configuration) and treatment of information.
- Each Council service has nominated a member of staff or provided a generic contact address regarding freedom of information (FOI) requests. Guidance on progressing FOI requests is available within the public folders of the Council’s email system and through regular dialogue with the Council’s Governance team. During 2013 – 14 the Council received 1,103 FOI requests of which 1,048 (95%) were responded to within the required timescale.

Element 9 – Data Protection

- Argyll and Bute Council is registered with the Information Commissioner's Office (ICO) under the Data Protection Act, this is renewed annually with a current expiry date of 21 February 2016.
- To date there have been no notifications nor penalties invoked by the ICO in terms of breaches under the Act.
- A corporate Data Protection awareness training event was recently held at Council Headquarters with trainers attending from the ICO; this was attended by 80 members of staff with the training materials available on the Hub for all staff to view.
- A Data Protection Handbook has been in place since 2002 and a Policy since 2005 with the last update recorded in 2009. The policy is currently under review but not yet complete, however, it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015 and will thereafter be available for all staff to review on the Hub.
- The Subject Access Requests Policy has been recently updated and is available to all staff on the Hub.
- The Council's Acceptable Use Policy further supports Data Protection elements.
- A Fair Processing Notice is published on the Council's website alerting members of the public that it may share information provided with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud.

Element 10 – Business Continuity and Vital Records

To ensure business continuity and availability of vital records, Argyll and Bute Council has Critical Activity Recovery Plans (CARPs) in place for essential services, these include availability of business information and a grab bag with equipment with which to access it.

Element 11 – Audit Trail

An audit trail documenting the movement or editing of a record for as long as that record exists is required by the Keeper. This audit trail may be an integral part of the record or be held separately; it may be automatically generated or created manually. Electronic audit trails are currently system specific due to the varying requirements of nature of information held.

Element 12 – Competency Framework for Records Management Staff

A competency framework for records management staff is being researched by the Archive Officer, relevant qualifications are being reviewed and contact has been established with other local authorities to find out what they do in compliance with this element. This has yet to be completed however it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

Element 13 – Assessment and Review

Assessment and review will be carried out upon implementation of the Records Management Plan and on a regular basis thereafter through appointment of a review group.

Element 14 – Shared Information

The Records Management Plan will state measures to be taken to ensure information will be shared lawfully and securely e.g. with other local authorities. This will be in line with the “Data sharing code of practice” as outlined by the Information Commissioner’s Office. This has yet to be completed however it was evidenced that preparations are on-going and is currently shown as a live task (on track) within the project plan with a scheduled completion date of 31 May 2015.

6. CONCLUSION

This audit has provided a substantial level of assurance that plans are in place to address requirements of the Keeper of the Records of Scotland by submission date June 2016.

Thanks are due to the Customer Services staff and management for their co-operation and assistance during the Audit and the preparation of the report.

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Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CUSTOMER SERVICES
AUDIT DESCRIPTION	SYSTEM BASED AUDIT
AUDIT TITLE	Revenues and Benefits
AUDIT DATE	February 2015

2014/2015



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Revenue and Benefits within Customer Services as part of the 14/15 Internal Audit programme. Council Tax is a property based tax payable by the resident, owners or tenants of each property. There are a number of circumstances where a property may be exempt from Council Tax or entitled to a reduction if all the relevant criteria are met, these include Single person's discount, Status discounts such as students, People with disabilities and second homes/ unoccupied homes.

Argyll and Bute Council must adhere to Liability, Billing, Collection, and Enforcement Legislation and Regulations. The main legislation governing Council Tax is contained in the Local Government Finance Act 1992 and The Local Government in Scotland Act 2003.

Additionally, the Council agreed a policy on charging double Council Tax on unoccupied properties in line with new powers prescribed by The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013 with effect from 1 April 2014.

2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to:

- Review of Policies and Procedures regarding Council Tax exemptions;
- Review of applications for Council Tax exemption or discount;
- Review of additional charges levied in respect of the double charge of Council Tax;
- Verification of systems and evidence to support the applications;

3. RISKS CONSIDERED

SRR - Major reduction in income /funding as result of reduced collection of council tax or fees and charges.

ORR - Failure to ensure income from local taxes and sundry debtors is maximised and properly controlled.

Audit Risk - Non-compliance with operational policy leading to inaccurate application of exemptions, discounts and charges.

4. AUDIT OPINION

The level of assurance given for this report is Substantial

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
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Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

- Local Authorities are required to submit a Council Tax Assumptions (CTAS) return to Scottish Government in March each year. Returns include details of the policy in relation to the discounts (second-homes and/or long-term empty) and increases (long-term empty only) for the forthcoming year. It was evidenced that the CTAS return was completed for 13/14 and arrangements are in place to meet CTAS return requirements for 14/15.
- Local Authorities are required to provide details of the additional income collected on an annual basis to the Scottish Government through the March Council Tax Revenue Return (CTRR) return. It was evidenced that the Council met CTRR requirements for 2013/14 and arrangements are in place to ensure 2014/15 returns are completed.
- Local Authorities are required to consider how they will publicise their policy in relation to the council tax variation for second-homes and long-term empty, prior to the financial year to which the policy relates. It was evidenced that arrangements are in place to comply with this requirement. A paper is scheduled for submission to March 2015 Policy and Resources committee requesting a variation to policy which if agreed will then be publicised along with full policy.
- It was evidenced that discounts applied in respect of single persons status were supported by relevant documentation, appropriately authorised and a clear audit trail was in place in respect of the sample records tested.
- It was evidenced that discounts applied in respect of short term empty homes status were supported by relevant documentation, appropriately authorised and a clear audit trail was in place in respect of the sample records tested.

- It was evidenced that premium charges in respect of long term empty properties were supported by relevant documentation, appropriately authorised and a clear audit trail was available.
- The service utilises the Civica W2 system for document management to support Council Tax administration. Systems controls were evidenced as being in place in respect of authorisations and segregation of duties.

6. CONCLUSION

This audit has provided a Substantial level of assurance. Policies and procedures are in place and appropriate controls were evidenced as being in place.

Thanks are due to the Customer Services staff and management for their co-operation and assistance during the Audit and the preparation of the report.

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Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	FINANCIAL SYSTEM AUDIT
AUDIT TITLE	Winter Maintenance
AUDIT DATE	December 2014

2014/2015



1. Background

A review of the Winter Maintenance procedures has been planned as part of the 2014/15 Audit Plan.

Argyll and Bute has a statutory obligation, under section 34 of the Roads (Scotland) Act 1984 to “take such steps as it considers reasonable to, prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads” in the Council area, which by definition includes carriageways, footways, footpaths, pedestrian precincts.”

The Council has developed a comprehensive winter maintenance policy which covers outline principles, management arrangements, treatment priorities, standby procedures and gritting guidelines. The policy also covers a number of other areas including, snow clearance strategies, assistance from other authorities and contractors, use of salt, plant and servicing practices, weather forecasting, operational communications and record keeping.

The total budget for Winter Maintenance for the financial year 2013/14 was £1.25m.

2 AUDIT SCOPE

The audit will cover the arrangements in place for Winter Maintenance including planning and delivering service. We will review internal controls and other governance arrangements to provide a reasonable assurance that management's objectives are furthered and supported. Specifically we will:

- Review policy and procedures and provide opinion on whether fit for purpose
- Ascertain whether service adheres to stipulated policy
- Review performance monitoring information, data collection and analysis and budgeting protocols.
- Review communication and customer engagement protocols

3 RISKS CONSIDERED

- Failure to meet statutory obligations.
- Failure to adhere to stipulated policy and guidelines.
- Policy and guidelines are not fit for purpose.

4. AUDIT OPINION

The level of assurance given for this report is Limited.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
Substantial	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
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5. FINDINGS

The following findings were generated by the audit:

POLICY

- The 2014/15 Winter Maintenance policy was been approved by the Environment, Development and Infrastructure Committee on August 14th 2014.
- It was noted that the 2014/15 policy does not take into account the recommendations of the well Maintained Highways (18th Sept 2013 update) - Appendix H – Winter Service. This is due to there being ongoing discussions with the SCOTS winter service sub group. The adoption of these recommendations would be that there are likely to be implications on the frequency of turn outs and the level of resources required to meet obligations. Coupled with this are the requirements to manage drivers' hours which may necessitate the introduction of EU rules throughout the entire Roads and Amenity operation. This will have a direct effect on the shift system for "out of hours" standby which will require additional resource over and above the present establishment to deliver at the current service level.
- Benchmarking against other Council's Winter Maintenance policy documents and those of Argyll and Bute Council was carried out. This showed a consistency of approach by Argyll and Bute and that the service procedures and policies are deemed comprehensive with no significant omissions
- It was noted that the Councils website link to the Winter Maintenance Policy refers to the policy published for the year 2011/12.

Operations

- The service operates a monitoring system which records weather observations, salt management, proposed actions to address the road conditions and the record of treatments. Evidence from the system was reviewed to assess whether operational activity conformed to the requirements as laid down in the guidance procedures. It was found that activity deviated from prescribed guidance. The Guidance notes outlining operational procedures as regarding fleet lists, salt stocks , management structures and standby rotas do not reflect the current operational set up.
- Winter maintenance vehicles are fitted with satellite navigation systems which also has an instant messaging function which would allow tracking of vehicles and communication with drivers, however it was noted that the instant messaging function has not been activated due to protocols having to be agreed.
- The salt resilience protocol document describes a volume of stock required in different winter scenarios and the location of these stocks. It was noted that the salt depot at Connel airport which held 4,500 tons has recently been closed and consequently there is the potential in extreme winter conditions that the service may fail to meet its operational requirements.
- Gritting mechanisms are calibrated on an annual basis as stipulated in the policy to ensure that the salt dispersal rates are set correctly. Calibration certificates are issued upon completion however it was noted 5 out of the 14 certificates were available.
- Road conditions are reviewed using use of infra-red cameras that enable operational managers to ascertain the road condition to decide whether gritting operations should be undertaken. These are available in 8 locations throughout Argyll and Bute
- The Council have a joint working agreement with West Dumbarton Council in respect of specific routes. The Council is also currently in talks with Bear Scotland in relation to joint working on other routes.

Information

- The Council has a list of contractors it may call upon to help it meet its statutory obligations. However it was noted that the list has not been updated in the last 3 years.

- The winter maintenance budget has remained relatively constant over the last 5 years at on average £1.2m per annum. However the average actual spend per annum is approximately £2.4m.
- The Service plan does not specifically refer to winter maintenance activity and a review of scorecard information showed no evidence of performance indicators or measures being in place.
- The service operates a number of customer engagement protocols to inform the public of service disruption. These include Facebook, Twitter, web site updates and a 24 hour telephone line to inform the public however it was noted that updates are only provided during normal working hours.

6. CONCLUSION

This audit has provided a limited level of assurance. There were 10 recommendations for improvement identified as part of the audit and these are set out in Appendices 1 and 2. There are 3 high and 5 medium recommendations set out in Appendix 1 which will be reported to the Audit Committee. There are 2 low recommendations though low recommendations are not reported to the Audit Committee. Appendices 1 set's out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Customer Services staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Salt Reserves		High/ Medium or Low		
Winter maintenance policy stipulates a prescribed volume of salt and the location of stocks. The salt depot at Connel airport has recently been closed and consequently the Council may in extreme winter conditions fail to meet its operational commitments.	Inability to fully deliver Winter Maintenance commitments	High	Capacity in Operational stockpiles to be kept as full as possible during the winter service period to maintain resilience levels.(November 2014) Programme to provide additional capacity by August 2015	C A Robertson , August 2015
2. Guidance Procedures		High/ Medium or Low		
Documentation outlining operational procedures in respect of fleet, salt stocks management structures and standby rotas do not reflect the current operational set up.	Failure to adhere to operational policy	High	Guidance notes to be updated to reflect operational set up , management responsibilities and methods, prior to start of main season	C A Robertson 31 st March 2015
3. Budgets		High/ Medium or		

		Low		
The winter maintenance budget has remained relatively constant over the last 5 years at on average £1.2m per annum. However the average actual spend per annum for the same period is £2.4m.	Resources not aligned to service requirement	High	A demand pressure of £0.5m has been included as part of 15/16 Budget exercise. Service provision will be further reviewed as part of the Service Choices programme.	Jim Smith 31 st March 2015
4. Performance Indicators		High/ Medium or Low		
The Service plan does not specifically refer to Winter maintenance activity and a review of scorecard information showed no evidence of performance indicators or measures being in place	Failure to provide key performance indicators leading to ineffective decision making	Medium	Performance measures to be considered and incorporated into service plans and pyramid	C A Robertson 31 st March 2015
5. Communication		High/ Medium or Low		
Service user bulletins /Information notices are updated during office hours only.	Information updates are not reflective of current conditions	Medium	Winter Maintenance Managers to be trained on use of Service Disruption webpage, to allow real time communication during the coming and following seasons	C A Robertson 31 st March 2015

6. Outside Contractors		High/ Medium or Low		
The Council has a list of contractors it may call upon to help it meet its statutory obligations. The list has not been updated in the last 3 years	Failure to adhere to agreed procurement procedures. Failure to engage with approved contractors.	Medium	Contractor list to be updated after liaising with procurement team	C A Robertson 31st March 2015
7. Gritter Calibration		High/ Medium or Low		
Gritting mechanisms are calibrated on an annual basis to ensure that the salt dispersal rates are correct. Calibration certificates are issued. Only 5 out of the 14 certificates were provided.	Failure to provide evidence of calibration	Medium	Fleet to pursue hire vehicle and Fleet vehicle calibration certificates and will ensure are available to internal audit.	Fleet Manager 31 st March 2015
8. Winter Maintenance Policy		High/ Medium or Low		
The Winter Maintenance policy link on the website relates to the policy agreed for the year 2011/2012. A 2014/15 Winter Maintenance policy is in place.	Failure to provide accurate information leading to adverse impact on reputation.	Medium	Web site links to be updated to ensure reference to current policy /service provision.	C A Robertson 31 st March 2015

APPENDIX 2 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
9. Satellite Navigation system		High/ Medium or Low		
Winter maintenance vehicles are fitted with satellite navigation systems which also has an instant messaging function which would allow tracking of vehicles and communication with drivers, however it was noted that the instant messaging function has not been activated due to protocols having to be agreed.	Failure to maximise functionality of system	Low	Protocol on use of messaging system still to be agreed and finalised	Fleet Manager(31 st June 2015
10. Infra-Red Cameras		High/ Medium or Low		
There are a number of areas within Argyll and Bute where Infra-Red cameras have not been located to ascertain the road conditions.	Failure to invest in the technology can impact on the Councils ability to meet its statutory obligations	Low	A cost benefit analysis will be undertaken in relation to expanding the network	C A Robertson , 31 st Aug 2015

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**ARGYLL & BUTE COUNCIL
STRATEGIC FINANCE**

**AUDIT COMMITTEE
13 MARCH 2015**

EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2014 – 2015.

1. EXECUTIVE SUMMARY

- 1.1 Internal Audit document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. This report and attached appendices are the results from a review performed by Internal Audit for recommendations due to be implemented by 31 January 2015.
- 1.2 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.
- 1.3 Appendix 1 is a statistical summary of all agreed recommendations arising from National, External and Internal Audit reports by department. Detailed is the number of recommendations due as at 31 January 2015, the number implemented, the number of agreed future recommendations and their status, e.g. on course etc.
- 1.4 Appendix 2 provides a summary as at 31 January 2015, of all outstanding recommendations from National, 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.
- 1.5 Appendix 3 provides a summary of all recommendations from National, External and Internal Audit reports by department and service that are due after 31 January 2015 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.

2 RECOMMENDATIONS

- 2.1 The audit committee note the progress.

3 CONCLUSION

3.1 Of the recommendations due for completion by 31 January 2015, 15 have been completed. Internal Audit is satisfied with the status of the remaining 4 recommendations being delayed but rescheduled.

Good progress is being made on the recommendations due after 31 January 2015 with 1 completed early and timely identification of 2 requiring to be rescheduled.

4. IMPLICATIONS

4.1	Policy:	None
4.2	Financial:	None
4.3	Legal:	None
4.4	HR:	None
4.5	Equalities:	None
4.6	Risk:	None
4.7	Customer Service:	None

For further information please contact Kevin Anderson (01369 708505)

Kevin Anderson
Chief Internal Auditor
13 March 2015

APPENDIX 1

SERVICE SUMMARIES

RECOMMENDATIONS DUE 01 NOVEMBER 2014 – 31 JANUARY 2015

SERVICE	Complete	Delayed but rescheduled	Total Of ACTION PLAN NUMBER
CUSTOMER & SUPPORT SERVICES	2	1	3
ECONOMIC DEVELOPMENT	5	0	5
EDUCATION	1	0	1
FACILITY SERVICES	1	0	1
IMPROVEMENT & HR	1	0	1
PLANNING & REGULATORY SERVICES	1	0	1
ROADS & AMENITY SERVICES	2	3	5
STRATEGIC FINANCE	2	0	2
TOTALS	15	4	19

RECOMMENDATIONS DUE AFTER 31 JANUARY 2015

SERVICE	Complete	On Course	Delayed but rescheduled	Total Of ACTION PLAN NUMBER
ADULT CARE	0	3	0	3
CHILDREN & FAMILIES	0	2	0	2
CUSTOMER & SUPPORT SERVICES	0	3	0	3
EDUCATION	0	2	0	2
FACILITY SERVICES	0	9	0	9
GOVERNANCE & LAW	0	1	0	1
IMPROVEMENT & HR	0	10	0	10
PLANNING & REGULATORY SERVICES	0	4	0	4
ROADS & AMENITY SERVICES	0	4	0	4
STRATEGIC FINANCE	1	2	2	5
TOTALS	1	40	2	43

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Appendix 2

Recommendations Overdue 31 January 2015

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
<p>DEPARTMENT CUSTOMER SERVICES SERVICE CUSTOMER & SUPPORT SERVICES REPORT NAME <u>REVIEW OF PROCUREMENT 2013-14</u></p>					
2	<p>The MEAT (Most Economic Advantageous Tender) criteria, where both price and quality is taken into account will be required for all tenders once the procurement reform bill becomes law. Departments should be working with their procurement officer to prepare for this major change in procurement processes.</p> <p>MEDIUM</p>	<p>Procurement to ensure all relevant tenders have MEAT criteria contained within them</p>	<p>31 December 2014 31 March 2015</p>	<p>Vendor rating system is up and running in facility service and meat criteria is now being used in both facility services closed tenders and roads and amenity d & I services.</p>	<p>Delayed but rescheduled Procurement and Commissioning Manager and all relevant 3rd Team managers</p>
<p>DEPARTMENT DEVELOPMENT & INFRASTRUCTURE SERVICES SERVICE ROADS & AMENITY SERVICES REPORT NAME <u>REVIEW OF CREMATORIUM 2014/15</u></p>					
1	<p>A service manual detailing procedures for all aspects of the service has yet to be completed.</p> <p>MEDIUM</p>	<p>Complete and issue service manual</p>	<p>31 October 2014 31 January 2015 31 March 2015</p>	<p>There has been no further movement on this action point due to service demand requirements over the festive period and resourcing issues arising from sickness absence.</p>	<p>Delayed but rescheduled Crematorium Superintendent and Service Officer – Grounds & Horticulture</p>

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
2	<p>Indications from the Scottish Gov are that from April 2015 there will no longer be a requirement for a medical referee to authorise cremation. Final documentation has yet to be agreed between the FBCA and ICCM causing concern to crematorium staff.</p> <p>MEDIUM</p>	<p>Continue to monitor advice from Scottish Govmt, FBCA and ICCM. Argyll & Bute Council (ABC) procedures may need to be amended to take account of these changes.</p> <p>Outcome from national meetings in October 2014 and January 2015 will be monitored for further guidance.</p>	<p>31 January 2015 30 April 2015</p>	<p>Pending outcome of National forum discussions, scheduled for 12 Feb 2015.</p>	<p>Delayed but rescheduled Crematorium Superintendent in consultation with Legal Services.</p>
12	<p>Management has not explored the use of the Customer Service Centre to aid the administration of payments and enquiries.</p> <p>LOW</p>	<p>Meeting to be arranged to explore.</p>	<p>31 December 2014 31 March 2015</p>	<p>There has been no further movement on this action point due to service demand requirements over the festive period and resourcing issues arising from sickness absence.</p>	<p>Delayed but rescheduled Streetscene Area Manager and Crematorium Superintendent</p>

Appendix 3

Recommendations Due After 31 January 2015

ACTION PLAN NO:	WEAKNESSES/GOOD GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE
DEPARTMENT CHIEF EXECUTIVE'S UNIT					
SERVICE REPORT NAME	STRATEGIC FINANCE REVIEW OF RISK MANAGEMENT ARRANGEMENTS				
1	<p>The most recent Strategic Risk Register identifies 15 risks with gross risk scores ranging between 9 – 20, and residual risks classing 14 of the risks as 'amber' and one, relating to population and economic decline as a 'red' risk. Each of the risks is currently managed in the same way, with mitigation actions and planned actions reported to the Strategic Risk Group and Committees in the SRR. However, where risks remain 'red,' or above the risk appetite level we would recommend escalation of the risk to give management and the Audit Committee additional assurance that risks are being managed effectively.</p> <p>MEDIUM</p>	<p>Strategic Risk Group will review protocols considering proposed actions. A number of mitigations are already subject to delivery /realisation monitoring arrangements</p>	<p>28 February 2015 30 June 2015</p>	<p>Escalation protocols will be implemented upon completion of Appetite development activity. Strategic Risk Group has agreed an Appetite framework. A working group will be convened which will prepare Risk Appetite levels for each individual risk.</p>	<p>Delayed but rescheduled Head of Strategic Finance</p>

ACTION PLAN NO:	WEAKNESSES/GOOD GRADE:	AGREED ACTION:	DATES :	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE
2	<p>The Council's current approach to defining the risk appetite for each strategic risk to use the residual risk scores from when the SRR was reviewed as a proxy.</p> <p>A more formal approach to defining risk appetite would mean that the Council could :</p> <ul style="list-style-type: none"> use the gap between the current residual risk score and risk appetite to prioritise actions clarify areas where risks cannot fully be managed by the Council, eg population decline demonstrate the journey of improvement across individual risk categories acknowledge a willingness to take on risk in individual cases, where there is potential benefit to the Council to do so. 	<p>Strategic Risk Group will lead developments on Risk Appetite and associated monitoring / mapping frameworks</p>	<p>28 February 2015 30 June 2015</p>	<p>Strategic Risk Group has agreed an Appetite framework. A working group will be convened which will prepare Risk Appetite levels for each individual risk</p>	<p>Delayed but rescheduled Head of Strategic Finance</p>
	MEDIUM				

ANNUAL AUDIT PLAN 2015/16

1. SUMMARY

1.1 This report introduces the Annual Audit Plan for financial year 2015/16.

2. RECOMMENDATIONS

2.1 To agree and approve the Annual Audit Plan 2015/16.

3. DETAILS

3.1 This report introduces the Annual Audit Plan which has been prepared in line with Public Sector Internal Audit Standards (PSIAS). The Council's internal audit plan must be risk based and focused on governance, risk and controls to allow the Chief Internal Auditor to provide an annual opinion on the Council's internal control framework, based on the work undertaken during the year. This annual opinion informs the Annual Governance Statement. The Annual Audit plan is shown in appendix 1.

3.2 The audits detailed in the audit plan have been selected following a risk assessment of our audit universe. Factors used in the risk assessment process include:

- the potential impact on the Council's corporate outcomes
- links to strategic risks
- financial materiality
- key changes within the operating environment
- assurance received from other sources
- impact of local and national issues
- experience gained from previous internal audit reports.

3.3 In preparing the Audit Plan, Executive Directors Head of Services have been consulted and a draft plan was presented to the December Audit Committee. The plan has also been discussed with the Council's External Auditors. Where appropriate, the plan has been updated to reflect feedback received.

3.4 Whilst a risk based approach has been adopted the plan also ensures an appropriate balance of coverage across all departments and includes a further shift to continuous monitoring in respect of a number of auditable units.

3.5 The Audit plan is broken down into 4 main areas which are;

- Cross Service Reviews
- Service Department Reviews
- Continuous Monitoring
- Verification Activity

- 3.6 Cross Service Reviews include auditable units which are non-specific to an individual department or service area and which are of a corporate or organisational wide focus.
- 3.7 Service Department Reviews are auditable units within the audit universe which are specific to an individual department.
- 3.8 The Continuous Monitoring Programme includes a number of auditable units which were previously subject to individual annual review. These areas are now reviewed on a regular recurring basis with control weaknesses reported by exception.
- 3.9 Internal Audit undertakes a number of Verification Reviews throughout the year. These reviews are primarily focused verifying areas such as grant claims and performance indicator submissions.
- 3.10 The plan is based on 995 available audit days and includes time needed for management of Internal Audit Service, audit planning, development of annual opinion, attendance at meetings and the continuous development of audit policies and procedures in line with PSIAS.
- 3.11 The plan also includes contingency set aside for consultancy, reviews or investigations and liaison with other assurance providers such as External Audit and other scrutiny bodies. Specific allowance has been made in respect of Audit and Risk management input required as part of the Health and Social Care Integration initiative.

4. CONCLUSION

- 4.1 The Annual Audit plan has been prepared in line with PSIAS and is aligned to the Council's Long Term Outcomes, Corporate Outcomes and Strategic Risk Register. The plan now incorporates continuous monitoring and verification activity sections.

5. IMPLICATIONS

- | | | |
|-----|----------------------|---|
| 5.1 | Policy: | The Annual Audit plan provides assurance that appropriate focus is given to Governance Risk and Control |
| 5.2 | Financial: | None |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |
| 5.6 | Risk | None |

5.7 Customer Service

None

For further information please contact Internal Audit (01369 708505)

Kevin Anderson
Chief Internal Auditor
13 March 2014

Appendices:

1. Annual Audit Plan 15/16

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Appendix1. Audit Plan

AUDIT PLAN 2015/16			Planned days	Outline Scope
Department / Service Area	Sub Service	Topic		
CROSS CUTTING				
	Single Outcome Agreement	Delivery Plan Monitoring	30	Arrangements for Delivery Plan monitoring, reporting and escalation.
	Health and Social Care Integration	Governance Arrangements	30	Governance Arrangements
	Risk Management	Policy and Procedures	25	Review of Risk Assurance Mapping and Risk Appetite
	Performance Management	Scorecards	25	Accuracy of information, review of indicators /measure used. Review of supporting documentation.
Total Cross Cutting			110	
CUSTOMER SERVICES				
Customer and Support Services	Revenue and Benefits	Housing Welfare Payments	20	Control Environment. Legislative Compliance and reporting arrangements
	Procurement	Pecos	20	Control Environment. Housekeeping and Reconciliations. Year End Processes
Facility Services	Asset Management	Survey Condition Arrangements / Lifecycle planning	20	Policies and Procedures including assessment and reporting.
	Transport	School Transport	20	Procurement including Contractual arrangements
	Catering	School Meals	15	Arrangements for compliance with Children's and Young Peoples Act requirements
Improvement and HR	Human Resources	Training needs analysis and provision of training	15	Training Need Analysis /Provision of Training arrangements arising for PRD's.
	Health and Safety	Recording and Reporting	15	Recording and Reporting arrangements.
Governance and Law	Licensing	Taxi	15	Compliance with Legislative requirements / Policy
Total Customer Services			140	

Appendix1. Audit Plan

COMMUNITY SERVICES				
Adult Services	Homecare	Resource Allocation System	15	Control Environment. Application of policy
Children and Families	Hostels	National Care Standards	15	Compliance with National Care Standards
	Early Years	Children and Young People Act – 600 hrs	15	Arrangements for compliance with Children's and Young People Act
	Out of Authority Placements	Control Processes	15	Control Environment.
Community and Culture	Homelessness	Legislative compliance	15	Compliance with Legislative changes (Dec 2012)
Education	Education - SQA Entries	Policies and Control	15	Submission process
	Education - Exclusions and Truancy	Policies and Controls	15	Policies and Controls
	Education - Looked after Children	Equality of provision	15	Equality of provision
Total Community Services			120	
Development and Infrastructure Services				
Economic Development and Strategic Transportation	Economic Development Action Plans	Delivery of Plans	25	Arrangements including monitoring, reporting and escalation.
	Townscape Heritage Initiative and Community Area Regeneration Schemes	Delivery of Outcomes	15	Evidence of project compliance / Delivery of Outcomes including monitoring and reporting.
Roads and Amenity	Capital Projects	Scoping and Design Protocols	20	Scoping and Design Protocols
	Roads Maintenance	Prioritisation of Maintenance Protocols	20	Prioritisation Protocols. Compliance
Economic Development	Piers and Harbours	Management Arrangements	20	Application / compliance with policy and procedures.
Planning and Regulatory Services	Enforcement Retrospective permissions	Compliance	20	Arrangements for Enforcement / Retrospective Permissions
Total Development and Infrastructure			120	

Appendix1. Audit Plan

Continuous Monitoring Programme	Arrangements of prevention /detection of Fraud. Anti-Fraud Strategy. Serious Organised Crime.		30	Policy review. Participation in NFI
	Budgeting	Cipfa Matrix Testing	15	Internal Control Environment
	General Ledger	Cipfa Matrix Testing	15	Internal Control Environment
	Creditors	Cipfa Matrix Testing	15	Internal Control Environment
	Debtors	Cipfa Matrix Testing	15	Internal Control Environment
	Payroll	Cipfa Matrix Testing	30	Internal Control Environment
	Treasury Management	Cipfa Matrix Testing	15	Internal Control Environment
	Council Tax and NDR	Cipfa Matrix Testing	15	Internal Control Environment
	Establishment Visits	School Funds Imprest Accounts	15	Internal Control Environment
Total Continuous Monitoring			165	
Verification Activity /Short Audits	Leader	File and Claim review	10	Evidence Compliance with award Criteria
	Flag	File and Claim review	10	Evidence Compliance with award Criteria
	Airports	Aerodrome Operation Manual	10	Evidence Compliance with Aerodrome Operating Manual
	LGBF	Accuracy of Submission	10	Accuracy of Submission
	Disposal Policy	Policy Review	10	Policy review /compliance
	Electronic Signatures	Policy Review	10	Policy Review
Total Verification			60	
Health and Social Care Scheme of Integration – Development of Risk Management and Auditing Arrangements			40	Development of support arrangements as per Scheme of Integration to support Partnership in respect of Risk Management and Auditing
Internal Audit Management			140	Planning & reporting Risk Management Service Support and Advice Project Support and Advice
Contingency			80	Investigations, Adhoc requests.
Total Audit Days			995	

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ARGYLL AND BUTE COUNCIL Annual Audit Plan 2014/15

Prepared for ARGYLL AND BUTE COUNCIL

FEBRUARY 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in Argyll and Bute Council's financial statements.
2. This report summarises the key challenges and risks facing Argyll and Bute Council and sets out the audit work that we propose to undertake in 2014/15. Our plan reflects:
 - the risks and priorities facing Argyll and Bute Council
 - current national risks that are relevant to local circumstances
 - the impact of changing international auditing and accounting standards
 - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
 - issues brought forward from previous audit reports.
3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local

authority is the sole trustee. Argyll and Bute Council has 11 trusts having charitable status with total assets of £5.883 million. Accordingly, we will perform the audit of the council's charitable trusts in parallel with the audit of the council's financial statements.

Summary of planned audit activity

4. Our planned work in 2014/15 includes:

- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the state of affairs of Argyll and Bute Council as at 31 March 2015 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
- an audit of the financial statements and provision of an opinion for the charitable trusts where the local authority is the sole trustee
- reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's(LAN's) assessment since last year.
- a review and assessment of Argyll and Bute Council's governance and performance arrangements in a number of key areas including: review of adequacy of internal audit, ICT governance arrangements and the Annual Governance Statement.
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- reporting of National Fraud Initiative arrangements and results
- review of local impact of national studies as required
- responding to third party correspondence relating to the council's activities, received by Audit Scotland.

Responsibilities

5. The audit of the financial statements does not relieve management or the Audit Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

6. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
7. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Head of Strategic Finance

8. It is the responsibility of the Head of Strategic Finance, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of

Practice on Local Authority Accounting in the United Kingdom (the Code). This means:

- maintaining proper accounting records
- preparing financial statements which give a true and fair view of the state of affairs of Argyll and Bute Council as at 31 March 2015 and its expenditure and income for the year then ended.

Format of the accounts

9. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice. Argyll and Bute Council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation common accounting principles and standard formats should be used.

Audit Approach

Our approach

10. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of Argyll and Bute Council. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
 - understanding the business of Argyll and Bute Council and the risk exposure which could impact on the financial statements
 - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation and understanding how Argyll and Bute Council will include these in the financial statements
 - assessing the results of audit work carried out in response to correspondence received by Audit Scotland from the public
 - assessing and addressing the risk of material misstatement in the financial statements
11. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2014/15 includes:
 - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.
 - comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff
 - clear responsibilities for preparation of financial statements and the provision of supporting working papers
 - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
 - completion of the internal audit programme for 2014/15.
12. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we

carry out an early assessment of the internal audit function. Internal audit is provided by the internal audit section within the council. Overall, we concluded that the internal audit service generally operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We identified a small number of areas where the service has not yet achieved full compliance with the new standards. However, we concluded that the areas where internal audit is working towards full compliance with PSIAS do not impact on the range and quality of work carried out.

13. We plan to place formal reliance on aspects of the work of internal audit in the following areas, to support our audit opinion on the financial statements:
 - General Ledger
 - Trade Receivables
 - Trade Payables
 - Payroll
 - Treasury Management
 - Capital Accounting
14. In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:
 - Statutory Performance Indicators

- Procurement
- Health and social care integration governance arrangements
- Self directed support
- Performance management arrangements

15. Quarterly meetings will be held with the Chief Internal Auditor to discuss respective audit plans and work. The first of these was held on 24 February 2015.

Audit approach to correspondence received from the public

16. Audit Scotland's website explains that members of the public can write to Audit Scotland to raise issues that they have in relation to council's. These are considered by the Controller of Audit's team. Correspondents should in the first instance seek a response to these issues directly from the appropriate council. The correspondence is then passed onto the local auditors where it is felt to be of relevance to the scope of the audit.
17. As local auditors we then consider an appropriate response. The scope of response can vary from consideration as part of our existing work to a separate investigation. We receive a large amount of correspondence to consider relating to Argyll and Bute Council.

18. If the correspondence requires extra audit work we will discuss this in the first instance with the Head of Strategic Finance and /or the Chief Executive depending on its nature. We will also inform the Chief Internal Auditor.
19. The outputs from this work depend on the nature of our findings. We will consider whether a separate audit report or management letter is required and also include a summary in our annual audit report. The Audit Committee will be informed where it is identified that audit work is leading to a report/ management letter. All audit reports are presented to the Audit Committee for consideration by members.
20. By its nature we cannot anticipate the issues that will be raised by correspondents in this plan. However the audit work which is ongoing currently is:
 - follow up of issues reported in 2013/14 relating to the disposal of properties, including Castle Toward
 - the process for considering external funding requests arising from our report on the Scottish Submarine Museum
 - the governance arrangements for the CHORD programme
 - a review of the commissioning process undertaken by the Argyll and Bute Alcohol and Drugs Partnership.

Materiality

21. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
22. Based on our knowledge and understanding of Argyll and Bute Council we have set our planning materiality at 1% of gross expenditure. For 2014/15 planning materiality is £3.037 million.
23. We set a lower level, known as performance materiality, when defining our audit procedures. This is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. This level depends on professional judgement and is informed by a number of factors including:
 - extent of estimation and judgement within the financial statements
 - nature and extent of prior year misstatements
 - extent of audit testing coverage.

For 2014/15 performance materiality has been set at £1.822 million. We consider the cumulative impact of errors in relation to the materiality set on the financial statements in forming our audit opinion. We will report, to those charged with governance, all misstatements identified in the financial statements which are greater than £30,000.

24. In addition, an inaccuracy which would not normally be regarded as material in terms of monetary value may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

Reporting arrangements

25. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The authority (or a committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting by 31 August.
26. The regulations require a local authority to give public notice on its website by 17 June of the right to inspect its annual accounts. The inspection period should last for 15 working

days from the date specified in the notice, and the specified date should be at least 14 days after the notice is published but cannot be later than 1 July. These inspection requirements apply also to registered charities administered by the authority.

27. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
28. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries. The annual audit report is required to be published on the website by 31 December.
29. An timetable agreed with the previous Head of Strategic Finance is included at Exhibit 1 below which takes account of submission requirements and planned Audit Committee dates:

Exhibit 1: Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	February to June 2015
Meetings with officers to clarify expectations of working papers and financial system reports	Ongoing
Planned committee approval of unaudited financial statements	25 June 2015
Submission of unaudited council financial statements with working papers package	30 June 2015
Submission of unaudited charitable trust financial statements with working papers package	30 June 2015
Progress meetings with lead officers on emerging issues	As required
Latest date for final clearance meeting with Head of Strategic Finance	11 September 2015
Agreement of unsigned financial statements for Audit Committee agenda, and issue of combined ISA 260 report to those charged with governance and Annual Audit Report.	18 September 2015
Audit Committee date	25 September

Key stage	Date
	2015
Independent auditors report signed	By 30 September 2015
Latest date for submission of unaudited whole of government accounts to external audit	28 August 2015
Latest date for signing of WGA return	3 October 2015

30. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. In most instances our reports are addressed to the Head of Strategic Finance.
31. We have agreed with the Head of Strategic Finance that responses to draft reports are to be provided within four weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Head of Strategic Finance, relevant senior manager, the Chief Internal Auditor and Audit Scotland's Performance Audit and Best Value Group.
32. We will provide an independent auditor's report to Argyll and Bute Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. As part of streamlining our audit approach, this year the Annual Audit Report will be combined with the International Standard of Auditing (ISA) 260

report. As a result, the Annual Audit Report will be issued by 30 September which is one month earlier than in previous years.

- 33. All annual audit reports produced are published on Audit Scotland's website: (www.audit-scotland.gov.uk).
- 34. Planned outputs for 2014/15 are summarised at Appendix I. All of our outputs detailed in the appendix, are presented to the Audit Committee for consideration.

Quality control

- 35. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).

- 36. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Fiona Mitchell-Knight.

Independence and objectivity

- 37. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.
- 38. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Argyll and Bute Council.

Audit issues and risks

Audit issues and risks

39. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following main risk areas for Argyll and Bute Council. We have differentiated risks between those related to the financial statements risks and those related to the wider dimension audit. The financial statements risks, which require specific audit testing, are summarised at Appendix II.

Financial statement audit issues and risks

40. **Income:** Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. Argyll and Bute Council receives a significant amount of funding from the Scottish Government, however £141 million is received from other sources, including service income, Council Tax and Non Domestic Rates. The complexity of income means there is an inherent risk that income could be materially misstated. It is our opinion that the Council has strong mitigating controls in

place to reduce this risk. To reinforce this view, we will be undertaking revenue transaction testing across all areas.

41. **Management override of controls:** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. ISA 240 states that audit procedures should be responsive to risks related to management override of controls. We will design and perform audit procedures to address these risks within Argyll and Bute Council.
42. **Equal pay provision:** The current provision for equal pay is £0.4 million, however, there is still the potential for this to be significantly understated as the legal position resolves. We will continue to monitor developments throughout the year and review the equal pay provision as part of the 2014/15 financial statements audit process.
43. **Group Accounts:** The Code of Practice for Local Authority Accounting has been amended to reflect the adoption of the following group accounts standards
- IFRS 10 Consolidated financial statements
 - IFRS 11 Joint arrangements
 - IFRS 12 Disclosure of interests in other entities
 - IAS 28 Investments in associates and joint ventures (as amended).

-
44. The Council should ensure they carry out a reassessment of the group boundary to ensure there are no further consolidations and disclosures. We will discuss the work completed with management to ensure any impact on the Council is reflected in the financial statements.
 45. **2014 Regulations:** The Local Authority Accounts (Scotland) Regulations 2014 have been issued to replace the 1985 regulations in respect of local authority annual accounts with effect from 2014/15.
 46. The regulations set out in more detail what is required in respect of financial management and internal control, and in respect of the annual accounts themselves. Some of the changes include the requirement for the unaudited accounts to be considered by the Audit Committee. This can take place following submission to the auditor and up to 31 August if necessary. In addition the audited accounts must be considered and approved for signature by the Audit Committee by 30 September with publication on the council's website by 31 October. We will confirm with management that arrangements are in place to comply with the revised regulations from 2014/15.
 47. **Provisions:** This is an area of significant estimation based on management judgements. There are potentially areas in 2014/15, such as non contractual holiday pay claims, where it is not yet possible to give a definitive view on the likely

outcome for the council. We will meet with officers to discuss the latest position on all provisions, and ensure this is accurately reflected in the financial statements.

48. **Preparation of accounts:** The Head of Strategic Finance recently left the council. This loss of intellectual capital is being managed by the council. The post has been filled on an interim basis. The permanent post has been advertised and will be filled.
49. **Castle Toward:** In the Annual Report on the 2013/14 Audit published in October 2014, we said that we will continue to monitor the sale of this property.
50. At its meeting of 18 December 2014, the Policy and Resources Committee agreed to dispose of the Castle Toward Estate to the South Cowal Community Development Company (SCCDC) at the full value of £1.75 million with £1 million in respect of the purchase price being provided to SCCDC on a commercial loan basis subject to an initial three year period of deferment of repayments in recognition of their financial position. This loan was to be subject to a range of conditions.
51. The committee also agreed to extend the Right to Buy period with SCCDC until 31 January 2015 to allow officers to negotiate with SCCDC. A further extension was granted by officers to 13 February 2015.

-
52. The current position is that at a special meeting on 12 February 2015, the Council: withdrew the delegation to officers in regard to any further negotiations with SCCDC; withdrew the delegation for any further extension in the Right to Buy deadline; and reaffirmed the delegation to the Executive Directors of Community and Customer Services to market the property.
53. Our view is that it was for the Council to decide on whether to accept or reject a purchase proposal for Castle Toward from SCCDC. In making this decision it is appropriate that the elected members considered a range of factors including the details of the proposal, the District Valuer's valuation of the property, and the wider financial implications for the council of the proposal. We will report this conclusion and any further developments in the sale in our 2014/15 annual audit report.
54. **Prior year issues:** Our ISA260 report to those charged with governance on the 2013/14 audit and our annual report on the 2013/14 audit identified a number of findings from our 2013/14 work which require to be addressed during 2014/15. Excluding those matters referred to above, these findings include accounting for landfill sites and heritage assets. Follow up work will be carried out to monitor progress with these issues as part of the audit of the financial statements.

Wider Dimension audit issues and risks

55. We will monitor a range of other wider risks in the council as part of our audit and report progress in our annual audit report.
56. **Best Value statutory report follow up:** Follow-up audit work reviewed progress made by the council over the six-month period between the publication of the statutory report at the end of October 2013 and April 2014. The follow-up audit report was considered by the Accounts Commission at its meeting on 19 June 2014. The Commission accepted the Controller of Audit's report and noted that it is encouraged the council is making progress against its previous findings of October 2013. The Commission also agreed that it is too early to assess the effectiveness of actions and plans being implemented and concluded that there is still much work to be done by the council to secure the improvements that were required in October 2013.
57. The Commission therefore requires the Controller of Audit to report on progress by the end of 2015, with particular focus upon the effectiveness of the following: political management arrangements, scrutiny and roles and relationships, including between members and officers. Further follow up work will be carried out to review progress made in addressing the report findings.
58. **Financial Sustainability:** The continuing difficult economic climate affects all Local Authorities. Reductions in funding and

increased demand for services places increased pressure on the need to identify, and achieve efficiency savings. In our Annual Report on the 2013/14 Audit published in October 2014, we said that the council estimated it will need to reduce expenditure over the period 2016/17 to 2019/20 by an average of around three per cent or £8 million per annum, building up to £28.565 million in 2019/20. This equates to approximately £77 million in total over the four-year period.

59. The Council has now set out a revised forecast of its financial position which estimates that by 2020/21 expenditure is estimated to exceed income by between £27.5 million and £37.5 million. Averaged over the 5 years 2016/17 to 2020/21 this equates to an annual gap in the range £5.5- £7.5 million.
60. The council recognise that achieving these savings will require transformational change in the way the council operates. Fundamental decisions will need to be made by councillors about future service provision and delivery. We will continue to monitor and report on the council's management of its resources.
61. **Health and Social Care Integration:** The statutory implementation date for the integration of health and social care is April 2016. However, it is planned that from 1 April 2015 all NHS services in Argyll and Bute (planning, delivery and commissioned services), and Adult and Children and Families Social Work Services of Argyll and Bute Council will deliver a single, integrated service. In December 2014 the Council approved the draft Integration Scheme which has been submitted to the Scottish Government for approval. Integration will be complex and challenging to ensure that integration is delivered within the required timescales and that the arrangements are functional and fit for purpose.
62. The council's Local Scrutiny Plan reports that the Care Inspectorate and Healthcare Improvement Scotland plan to carry out a joint inspection of services for adults during 2015-16. The specific focus of the inspection will be on services for older people. This is part of the wider national programme of scrutiny work being undertaken by the Care Inspectorate and Healthcare Improvement Scotland and has not arisen through the LAN's shared risk assessment. The council's view is that due to its timing, this inspection increases the risks to the implementation timetable of the Health and Social Care arrangements in Argyll and Bute. We are concerned that this is the case and will monitor the council's mitigation of the impact of the inspection on the integration timetable.
63. **Infrastructure Assets:** Infrastructure assets are to be included in council financial statements, per the Code, at depreciated replacement cost, from 2016/17. Although not affecting the current audit year, management should already be preparing for this significant change in accounting requirements, and should be compiling, and assessing the reliability, of the necessary base information. This represents a change in

accounting policy so will require full restatement of 2015/16 figures and presentation of opening balance sheet amounts as at 1 April, 2015. Failure by authorities to begin preparations in 2014/15 represents a risk to them having the necessary information in the required timescale. We will report on the council's preparation for these changes.

- 64. Argyll and Bute Alcohol and Drugs Partnership (ADP):** In November 2014, the Council commissioned a contract on behalf of the ADP, with Addaction Scotland to provide community based care and support for people affected by addictions. . Concerns have been expressed in relation to various aspects of the procurement of the contract and in January 2015, the Controller of Audit confirmed that Audit Scotland will undertake a specific piece of work to review the commissioning process undertaken by the ADP. We will report our findings when this work is completed.
- 65. CHORD Project:** In November 2008, the Council agreed a programme to assist regeneration and economic development in five of its waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon and to allocate more than £30 million to the programme (CHORD). In 2013/14, due to the profile of the CHORD project in the community and receipt of correspondence from members of the public, we carried out some targeted audit work reviewing the council's governance over the Helensburgh CHORD project. We reported that the council acknowledged that project governance arrangements

needed to be improved and that the project had not progressed as planned. We also reported that the council is to continue to review the effectiveness of its revised arrangements over similar projects.

- 66.** Follow up work will be carried out to monitor progress with these issues with particular focus on the Oban Bay/Harbour project. A separate audit report may be prepared on any new or emerging issues.

Summary assurance plan

- 67.** The financial statements risks are summarised at Appendix II. In terms of financial statements risks, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix II. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

National performance audit studies - impact and follow up

- 68.** Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit

process and to maximise the impact of national performance audits we will review arrangements for considering and reviewing national studies published during the year.

Fees and resources

Audit fee

69. Over the past four years, Audit Scotland has reduced audit fees by 23.5% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to restrict the increase in audit fees for 2014/15 to 1% which, in real terms, represents a 0.6% reduction at 2014 price levels.
70. In determining the audit fee we have taken account of the risk exposure of Argyll and Bute Council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 30 June 2015.
71. The agreed audit fee for the 2014/15 audit of Argyll and Bute Council is £284,580 (£266,680 in 2013/14). This includes £3,300 in respect of the separate audits required for the council's charitable trusts, referred to in para 3 above.

72. The fee has been discussed in correspondence with the Head of Strategic Finance. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees and reporting on issues arising from correspondence
 - ongoing Best Value follow up work
 - your organisation's allocation of the cost of national performance studies and statutory reports by the Auditor General for Scotland
 - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative),
 - the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.
73. The increase over 2013/14 relates to the level of local follow up work required as part of our 2014/15 audit in response to the latest statutory report and the level of correspondence issues from the public, that we are required to consider as part of our work. This is at a level significantly above the norm for councils of this size. Whilst the fee increased in 2013/14 to reflect similar issues, the increase was insufficient to cover the substantial amount of audit work involved in these areas. This additional work increased the number of days spent on the audit by more than 15% and required substantial input of

senior team members. The level of audit work required continues to increase at the council.

- 74. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

- 75. Fiona Mitchell-Knight, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by David Jamieson who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The core team will call on other specialist and support staff as necessary.

Exhibit 2: Audit team

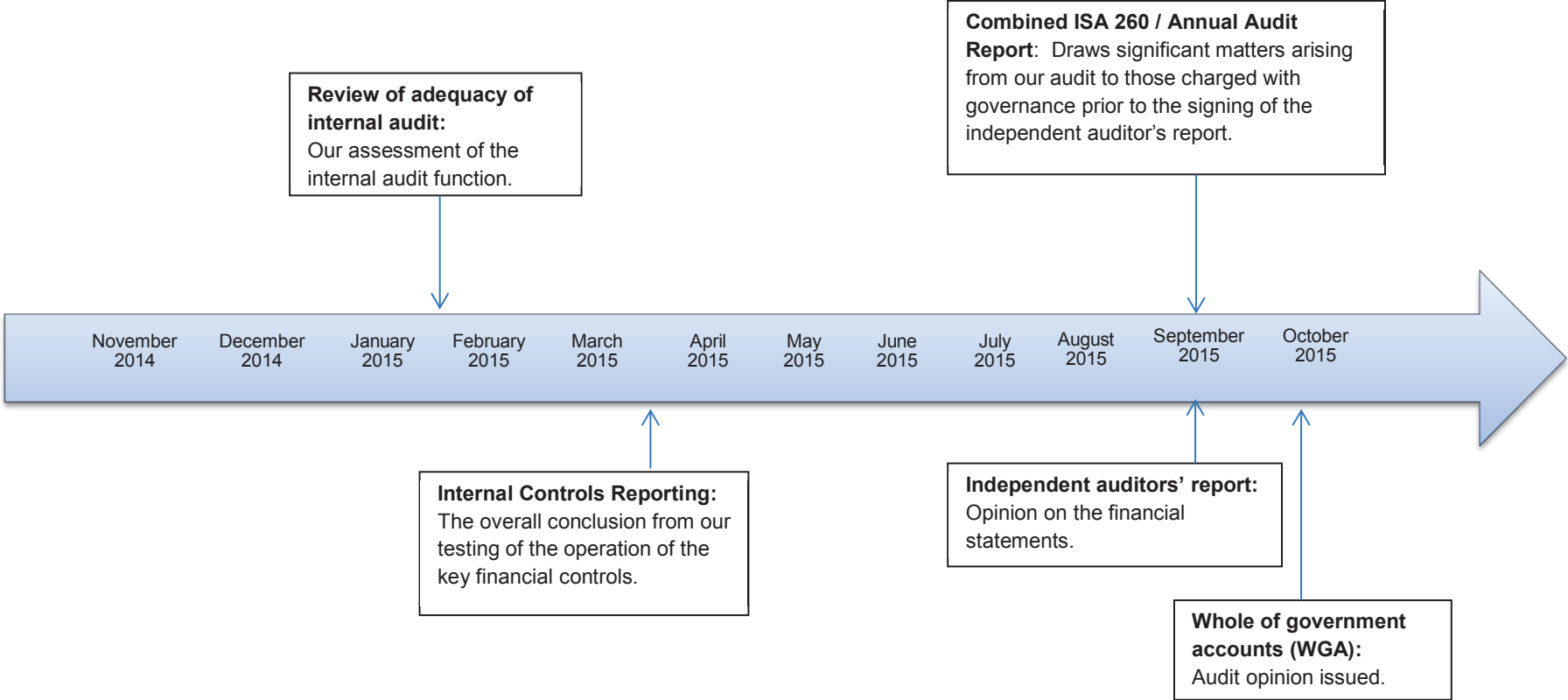
Name	Experience
Fiona Mitchell-Knight BA (Hons) FCA Assistant Director of Audit Services (certifying auditor)	Fiona took up post as Assistant Director of Audit in August 2007. Fiona trained as an auditor in the private sector in England. She has over 20 years experience of public sector audit with Audit Scotland, covering local government, health and the

Name	Experience
	further education sectors.
David Jamieson CPFA Senior Audit Manager	David has over twenty years experience of both internal and external audit from a wide range of public sector clients including the NHS, local and central government.
Russell Smith BAcc CA Senior Auditor	Russell has fourteen years experience of public sector audit with Audit Scotland, covering local and central government. Russell previously worked in external audit in the private sector and in the international audit department of a multi national company.
Stephanie Harold BA (Hons), MSc Auditor	Stephanie is an Economics graduate from Strathclyde University. She has 3 years experience in public sector audit working within the local government and health sectors. She recently passed her final ICAS examinations.
Brian Gillespie DPA (CIPFA) Auditor	Brian joined Audit Scotland in 2002 and has a wide range of external audit experience in the health, specifically the audit of NHS Greater Glasgow and Clyde, and local government sectors. Prior to this, Brian spent eight years as an internal auditor in the NHS.

Name	Experience
Fiona Ivison BA (Hons) Professional Trainee	Fiona is an accountancy graduate from Glasgow Caledonian University with a first class honours degree. She joined Audit Scotland in 2013 and is studying for her ICAS qualification.

Appendix I: Planned audit outputs

The diagram below shows the key outputs planned for Argyll and Bute Council in 2014/15.



Appendix II: Significant financial statement audit risks

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

Audit Risk	Source of assurance	Assurance procedure
<i>Audit risk of material misstatement in financial statements</i>		
<p>Income</p> <p>Argyll and Bute Council receives a significant amount of income in addition to SG funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> • Sound controls arrangements have been reported in previous years of the audit. • Internal audit reviews. 	<ul style="list-style-type: none"> • Detailed testing of revenue transactions across each service area. • Testing of significant Grants received. • Focused testing of the Council Tax and NDR Income Accounts.

Audit Risk	Source of assurance	Assurance procedure
<p>Management override of controls</p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • A sound system of budgetary control, including regular budget monitoring. • Regular updates of Standing Orders and Financial Regulations, which require approval by the Full Council. 	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates for bias • Evaluating significant transactions that are outside the normal course of business. • Focussed testing of the regularity and cut-off assertions during the financial statements audit.
<p>Equal Pay Provision</p> <p>The potential liability resulting from equal pay claims remains uncertain and is subject to the outcome of several national test legal cases. There is a risk that the ultimate cost to the council is significantly different from that provided in the financial statements.</p>	<ul style="list-style-type: none"> • Officers, in consultation with the council's legal service, will review the evidence available at the time of preparing the financial statements, in relation to legal decisions, to review the adequacy of the provision and ensure that it is valued appropriately. 	<ul style="list-style-type: none"> • We will continue to monitor developments throughout the year and review the equal pay provision as part of the 2014/15 financial statements audit process.

Audit Risk	Source of assurance	Assurance procedure
<p>Group Accounts</p> <p>There may be changes to the group structure arising from amendments to The Code of Practice for Local Authority Accounting, reflecting the adoption of the following group accounts standards;</p> <ul style="list-style-type: none"> • IFRS 10 Consolidated financial statements • IFRS 11 Joint arrangements • IFRS 12 Disclosure of interests in other entities • IAS 28 Investments in associates and joint ventures (as amended). <p>There is a risk that the council and its group are not properly presented in the financial statements.</p>	<ul style="list-style-type: none"> • Management assurance that appropriate arrangements have been made for assessing the impact of group account standards, and reflecting any changes within the Group financial statements • Staff knowledge and experience • Clear responsibility for managing and preparing the unaudited financial statements. 	<ul style="list-style-type: none"> • We will continue to liaise with officers during the course of the year regarding the group accounts arrangements. • During our audit of the council's financial statements we will ensure group account disclosures meet with our understanding of the new accounting standards.

Audit Risk	Source of assurance	Assurance procedure
<p>2014 Regulations</p> <p>The revised Local Authority Accounts (Scotland) Regulations 2014 apply for financial years 2014/15 onwards. There is a risk that the council does not comply with the requirements of the revised regulations.</p>	<ul style="list-style-type: none"> • Management assurance that appropriate arrangements have been made to comply with the revised regulations from 2014/15 • Staff knowledge and experience • Clear responsibility for managing and preparing the unaudited financial statements. 	<ul style="list-style-type: none"> • We will liaise with officers during the course of the year to ensure that arrangements remain in place to comply with the revised regulations from 2014/15. • During our audit of the council's financial statements we will ensure that all requirements relating to the revised regulations are achieved.
<p>Provisions: This is an area of significant estimation based on management judgements. There are potentially areas in 2014/15, such as non-contractual holiday pay claims, where it is not yet possible to give a definitive view on the likely outcome for the council.</p>	<ul style="list-style-type: none"> • Officers review provisions as part of the financial statements preparation process in consultation with their legal service. 	<ul style="list-style-type: none"> • We will review all provisions with senior council officers and review for appropriateness and accuracy based on the information available. • We will continue to monitor any technical guidance in this area.

AUDIT COMMITTEE DEVELOPMENT: ACTION PLAN

1. SUMMARY

- 1.1 This report provides a progress update to in respect of the Audit Committee Development Action Plan for 2014/15.

2. RECOMMENDATIONS

- 2.1 The Audit Committee note the content of this report.

3. DETAIL

- 3.1 The Audit Committee at its development day agreed a number of actions which have been rolled into an action plan as presented in Appendix 1.
- 3.2 The action plan follows a thematic approach covering the undernoted areas;
- Assurance,
 - Audit Committee Effectiveness,
 - Delivering Impact
- 3.3 Good progress continues to be made. Targeted work in relation to the Role of Audit and PRS committee is scheduled March to June and Audit Committee Effectiveness sessions are taking place.

4. CONCLUSION

- 4.1 The action plan is currently on track.

5. IMPLICATIONS

- | | | |
|-----|----------------------|------|
| 5.1 | Policy: | None |
| 5.2 | Financial: | None |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |
| 5.6 | Risk | None |
| 5.7 | Customer Service | None |

For further information please contact Internal Audit (01369 708505)

Kevin Anderson
Chief Internal Auditor
13 March 2015

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Appendix 1 – Audit Committee Development: Action Plan

No.	Issue arising	Proposed action	Lead responsibility	By (date):	Comment
Assurance mapping					
1.	Lack of clarity about sources of assurance and the respective roles of the Audit Committee and Performance Review and Scrutiny Committee	Consider respective roles of the PRS Committee and the Audit Committee including: <ul style="list-style-type: none"> ■ clarity of roles ■ areas of overlap ■ scope for collaboration 	Grant Thornton Chief Auditor Internal	30 th June 2015	On Track
2.	Assurance Mapping	Review updated Assurance Map utilising 3 lines of defence model	Grant Thornton	Dec 2015	Not due
Audit Committee Effectiveness					
3.	Clarity about potential gaps against Audit Committee best practice guidance	Use CIPFA Checklist to review current performance of the Audit Committee, and areas for improvement. Scope to include: <ul style="list-style-type: none"> ■ Defining success criteria for the Committee for 2014-15 ■ How the committee considers the effectiveness of internal audit and external audit, including progress reporting. ■ Effectiveness discussion sessions prior to each Committee meeting. 	Chair of the AC assisted / facilitated by CIPFA/GT partnership	On-going	On Track
4.	Increasing the impact of the audit committee, and the understanding of the role the committee plays in the internal control framework	<ul style="list-style-type: none"> ■ Chair / Vice-Chair to reflect on content of the Annual Report ■ Chair to present Annual Report to the Council meeting in November 2015 	Chair of the AC	June 2015 November 2015	Not due
5.	Managing the length of meetings and quality of	Chair and Vice Chair to consider key papers for discussion at pre-agenda meetings, and allocate any papers that can be	Chair and Vice	ongoing	On track

No.	Issue arising	Proposed action	Lead responsibility	By (date):	Comment
	discussion	noted only.	Chair of the AC		
Delivering impact					
6.	Accountability / Officer ownership of actions and attendance at Audit Committee meetings	<ul style="list-style-type: none"> Head of Strategic Finance to ensure that management attend Audit Committee Meetings where required. 	Head of Strategic Finance	On-Going	On track
7.	Improving the impact of internal audit	<ul style="list-style-type: none"> On-going review the format of progress reports. To ensure that internal audit findings are clear, and risks properly articulated. 	Internal audit	March 2015	On-Track

ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE****CUSTOMER SERVICES****13 MARCH 2015**

COUNTER FRAUD TEAM – BUSINESS CASE

1.0 EXECUTIVE SUMMARY

- 1.1 On 1 October 2015 the Council's Counter Fraud Investigation Team of 3 FTE will transfer to the Single Fraud Investigation Service (SFIS) which is part of the Department of Works and Pensions (DWP). This is because the bulk of its work is in the investigation of housing benefit fraud. This will leave the council with no capacity to investigate fraud after the transfer date. The Council must consider how it will identify, manage and otherwise mitigate risks of fraud without this resource particularly for Council Tax Reduction Scheme fraud for which the responsibility will remain with the council. There will also be residual responsibilities for providing information and liaising with SFIS in relation to housing benefit fraud and historic council tax benefit fraud.
- 1.2 This report presents the case for the Council to create a new Counter Fraud Investigation Team (CFIT) in order to prevent and detect fraud in relation to the Council Tax Reduction Scheme (CTRS) and to fulfil the residual responsibilities in relation to SFIS. The proposed CFIT would be located with Revenues and Benefits in Customer Services but would work closely with Internal Audit and provide investigative resource to them should they require this for corporate fraud.
- 1.3 It is proposed to have a small team of two members of staff, one of whom will carry out the Single Point of Contact (SPOC) role liaising with SFIS and the other will carry out the residual responsibilities that will lie with the council for CTRS fraud. They will provide cover for each other and both require to be PINS trained. The costs should be covered from a mixture of funding from DWP, and counter fraud recoveries.
- 1.4 The paper recommends that Audit Committee:
- notes the residual responsibilities for preventing and detecting fraud following the transfer to SFIS;

ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

CUSTOMER SERVICES

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COUNTER FRAUD TEAM – BUSINESS CASE

2.0 INTRODUCTION

2.1 The introduction of a Single Fraud Investigation Service (SFIS) brings together fraud resource from local authorities and the Department of Works and Pensions (DWP) into one unit called the Fraud and Error Service (FES) under the DWP. The Council currently employs a team of 3FTE staff who have the responsibility to detect and prevent fraud in relation to Housing Benefit, historic Council Tax Benefit and Council Tax Reduction Scheme. The majority of this work relates to Housing Benefit fraud. On 1 October 2015 these staff members will transfer into FES and will be employed by the DWP.

2.2 It is therefore essential that the Council looks at the impact that the loss of professionally qualified Counter Fraud Investigation staff could have. This report considers the residual obligation that Argyll and Bute Council will have after transfer. It provides a business case for the creation of a counter fraud investigation team (CFIT) to address these residual responsibilities.

3.0 RECOMMENDATIONS

3.1 To note the residual responsibilities for preventing and detecting fraud following the transfer to SFIS

4.0 DETAIL

4.1 This report looks at the following aspects:

- The Council's governance requirements for fraud prevention and detection;
- The Council resources which need to be protected against the risk of fraud;
- Residual obligations following transfer to SFIS;
- The cost-effectiveness of a new CFIT;
- The assurance which a CFIT would provide to the Council's Monitoring Officer and to the Chief Financial Officer;
- Fraud case studies from Argyll and Bute Council which demonstrate the importance of having the unique skills and expertise which a CFIT would provide;

- Alternative options.

Council's governance arrangements for fraud prevention and detection

- 4.2 Section 4.18 of the Council's Financial and Security Regulations states that "The Executive Director – Customer Services is responsible for the development and maintenance of an anti-fraud and anti-corruption policy." The Anti-Fraud Strategy is set out at Appendix 2 to the Financial and Security Regulations. It says that "Managing the risk of fraud is the responsibility of the Council's Management". Internal Audit also has an interest in that the work provides assurance that "The Council's assets are safeguarded from significant losses, including those caused by fraud...". The Head of Strategic Finance reports in the annual accounts that he has "taken reasonable steps for the prevention and detection of fraud and other irregularities." The Statement of Governance and Internal Control signed by the Chief Executive, the Council Leader and the Head of Strategic Finance also makes reference annually to the anti-fraud strategy and these arrangements.
- 4.3 Audit Scotland, as part of their annual audit on the Council, specifically considers whether the arrangements for the prevention and detection of fraud and other irregularities are satisfactory. In their 2013/14 report they note under "Outlook" that "there are to be major changes in council's responsibilities for the investigation of fraud. The investigation of the Local Council Tax Reduction Scheme and corporate frauds will remain with councils. Responsibility for the investigation of Housing Benefit fraud is currently planned to transfer to a new Fraud and Error Service (FES) nationally." We should expect Audit Scotland to review our arrangements for fraud following this transfer.
- 4.4 The latest [CIPFA Code of Practice](#) also stresses the need to follow this path in the fight against Fraud across all Council Departments. It states that, the organisation should make arrangements for appropriate resources to support the counter fraud strategy.

Specific steps should include:

- An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of staff
- The organisation utilises counter fraud staff with appropriate skills and professional accreditation
- The organisation grants counter fraud staff unhindered access to its employee records, information and other resources as required
- The organisation has protocols in place to facilitate data sharing and intelligence.

Council resources which need to be protected

- 4.5 The table below shows the estimated value "at risk" for the Council for a range of service areas within Revenues and Benefits where fraud risk is acknowledged to exist. This has been calculated using a percentage risk provided by The National Fraud Authority (NFA), which is used as the National Standard, in relation to the current spend in each service area. These are "at risk" levels and are not accurate estimates of the level of undetected fraud. Our actual levels of detected fraud through the National Fraud Initiative are far lower.

SERVICE AREA	TOTAL SPEND (£000)	% at RISK	“AT RISK” VALUE (£000)
Council Tax discounts and exemptions	6,707	5	335
Council Tax Reduction Scheme (CTRS)	5,589	5	279
Discretionary Housing Payments (DHP) <i>(note 1)</i>	785	5	39
TOTAL	13,081		653

Note 1 The Scottish Government tops up the allocation of funds from the DWP and this distribution is based on actual spend so that any prevention or detection of fraud in this area does not benefit the council directly.

- 4.6 In future, following transfer to SFIS, there will remain £13 million of CTRS and Council Tax discounts and exemptions that require to be safeguarded where fraud rates are relatively high at c 5% which directly impact the council's finances. Appendix 1 details examples of these areas where the Council could be more pro-active. Council tax discounts and exemptions are regularly reviewed to ensure they are not awarded to those who do not meet the qualifying criteria. Where they are removed, currently they are removed only as far back as 1 April of the current council tax year, and not back to when the change in circumstance arose as this would affect previous year liabilities and these should only be changed late where there is good reason. Where it is clear that fraud has been committed, then this would be deemed a good reason for making changes to earlier years of council tax. If a small counter fraud team is created, this would provide some resource to undertake detailed fraud investigations of council tax exemptions and discounts awarded alongside investigations of CTRS frauds which also affect the total council tax billed.
- 4.7 CTRS used to be a national scheme called Council Tax Benefit but became localised in 2013 as CTRS and now directly impacts the Council's income. The discount is means tested and retains strong links to the national Housing Benefit regulations in the way in which entitlement is assessed. The majority of applications for CTRS are joint applications for HB and CTRS. CTRS is therefore susceptible to fraud in the same way as HB is, and this will remain with the council following transfer to SFIS.
- 4.8 Discretionary Housing Payments are provided as a top up to Housing Benefit and any potential fraud in relation to Housing Benefit potentially also affects awards of DHP. Prior to SFIS transfer any such fraud would be investigated by the current team but these responsibilities will not transfer to SFIS and will remain with the council.

Residual obligations following transfer to SFIS

4.9 Following transfer to SFIS the Council will continue to have certain obligations under the Social Security Fraud Act 2001 and the Local Government (Scotland) Act 1973. The transfer of all fraud staff to SFIS makes meeting those obligations a difficult task. These obligations include the provision of the following information to SFIS:

- Copies of the claim forms and supporting documentary evidence during the period of the claim
- Electronic data held for that claim
- The claim review form
- Letters and any other communication from the HB (Housing Benefit)/CTB (Council Tax Benefit) claimant relating to the award
- Details of any interview or telephone call with HB/CTB claimant related to the award
- Witness statements and Schedule 8 documents under the Criminal Procedures (Scotland) Act 1995 to authenticate evidence supplied for prosecution
- Any other material which is relevant to the investigation.

4.10 Further details in relation to the residual duties that will be left with the Council are shown in Appendix 3. The proposed CFIT would cover all these residual obligations and is why DWP will provide funding for the SPOC role.

Cost-effectiveness of a new CFIT

4.11 The current Counter Fraud Unit consists of 3 members of staff with one manager at LGE10 and two counter fraud officers at LGE8. In order to carry out the residual responsibilities there would need to be two counter fraud officers as a minimum unit. This is because you need two people to undertake an Interview Under Caution. Also this provides the necessary resource to fulfil the SPOC role and one FTE to carry out investigations. The costs are projected at £74,000 per annum as set out in the table below. These would be managed within the current Benefits Team structure.

ROLE	Grade	Basic Salary	NI	Super ann	Essential Users' Lump Sum	TOTAL
		£	£	£	£	£
Employee Costs						
Counter Fraud Officer	LGE8	23,557	1,574	4,534	822	30,487
Counter Fraud Officer	LGE8	23,557	1,574	4,534	0	29,665
TOTAL EMPLOYEE COSTS						60,152
Other Costs						
Travel Costs						10,000
NAFN Membership						3,500
TOTAL OTHER COSTS						13,500
TOTAL COST OF CFIT PER ANNUM						73,662

4.12 The Council will receive some funding from the DWP for new burdens to cover the role of the Single Point of Contact (SPOC) for Housing Benefit and Universal Credit Fraud investigations. This is estimated to be around £19,000 per annum on the basis of other additional DWP funding that the Council currently receives.

4.13 The table below shows how the team could be self-funding based on DWP funding and recoveries of CTRS overpayments and council tax discount and exemption recoveries.

ITEM	£	£
Costs of a Corporate Fraud Unit of 3 staff		73,662
Income		
Anticipated CTRS recoveries 2014/2015	25,000	
Anticipated additional recoveries of Single Person Discount based on the cancellation of 1.5% of discounts per annum (120 discounts * £260 (Band C charge £1,047 * 25%)).	31,200	
Additional funding anticipated for the Single Point of Contact (SPOC) (4.10 above)	19,000	
TOTAL ANNUAL INCOME		75,200
SURPLUS/(DEFICIT)		1,538

The assurance which a CFIT would provide to the Council's Monitoring Officer and to the Chief Financial Officer

4.14 The expert knowledge held by the current benefit fraud team ensures that all evidence is correctly gathered, rights of suspects adhered to, all legislation complied with, and the reputation of the council upheld. Investigators currently deal with benefit fraud investigations from the gathering of evidence through to the interviewing of suspects and witnesses, and submission of cases direct to the Procurator Fiscal.

4.15 Following transfer of the benefit fraud team to SFIS, the council will have a gap in its expertise in this area which would be filled by a new counter fraud investigation team. Whilst Internal audit has expertise in reviewing the appropriate systems, controls and checks for Council business, unlike the benefit fraud team, they have not completed the DWP's Professionalism in Security (PinS) training specifically geared to detecting social security fraud. The proposed new team would be able to provide occasional resource to Internal Audit in order to assist them in investigating any corporate frauds which arise.

HB/CTRS Fraud case studies from Argyll and Bute Council

4.16 The case studies in Appendix 2 show the risks that people are prepared to take to perpetrate fraud. They show that whilst detecting the fraud allows the Council to recover overpaid monies, it also stops the fraud continuing and more money being lost. Publicising the work of the fraud team ensures that the public are aware that if they perpetrate fraud there is a risk that they will get caught and prosecuted. The case studies prove that the risk of CTRS fraud is very real, and not theoretical, and that there is a need to put something in place following the transfer of the HB fraud team to SFIS.

4.17 The table below summarises the overpayment information for the case studies at Appendix 2.

Case No.	Fraud Value/Overpayments				
	HB (£)	CTB (£)	CTRS (£)	State Benefit (£)	TOTAL (£)
1	3,336	318	512		4,166
2	1,468	5	328		1,801
3	Case on-going value to be determined				
4	Case on-going value to be determined				
5	13,686	4,227	497	54,723	73,132
6	5,343	1,772		6,283	13,398
7	5,695	510	1,230	4,801	12,235
8	18,632	3,363		20,073	42,068
TOTAL	48,159	10,195	2,567	85,879	146,800

Alternative options

4.18 There are a number of alternative options that have been considered as follows:

- Do nothing/do minimum;
- Option 1 – retention of one person to do SPOC role and provide some very limited investigation resource;
- Option 2 – retention of two people, one for SPOC role and one as investigator as proposed at 4.11-13 above;
- Option 3 – team of 3 with cost of £111,000.

These are examined in more detail below:

Strengths	Weaknesses	Opportunities	Threats
Do nothing/Minimum			
None identified	No PinS trained investigators left in council. Internal audit would have to free up time to respond to any corporate frauds uncovered affecting progress on normal audit programme, and would require extensive training, or external resource brought in each time. No resource for SPOC role, so SFIS requirements responded to late, poor quality etc.	None identified	Risk that corporate frauds are not prosecuted as evidence is not collected in appropriate manner and there is no deterrent as this becomes known. Negative impact on benefits processing performance as resource diverted to fulfil SPOC role.

Option 1 – one person for SPOC role			
Maintains good ability to respond to SFIS	Lack of cover if person off sick, on holiday. No PinS trained investigators left in council. Internal audit would have to free up time to respond to any CTRS frauds uncovered affecting progress on normal audit programme, and they would require extensive training, or external resource brought in each time.	None identified	Risk that CTRS frauds are not prosecuted as evidence is not collected in appropriate manner and there is no deterrent as this becomes known.
Option 2 – one person for SPOC role and one trained fraud investigator – as described at 4.11-13 above			
Maintains good ability to respond to SFIS with cover for this. Provides some fraud investigation resource for CTRS and council tax discounts /exemptions. Some ability to assist Internal Audit with corporate fraud investigations should these arise.	If either off sick or on holiday, unable to undertake interviews under caution which require 2 people. Would require internal audit to free up some time to support and address other non-investigative aspects.	Able to detect some CTRS and council tax frauds, publicise this and create some deterrent effect.	Some risk of internal audit programme being negatively impacted on occasions when they are required to supplement investigation resource if this is not covered by planned contingency days. Some risk of not recovering sufficient income to be self financing
Option 3 – team of 3 - one person for SPOC role and two trained fraud investigators – cost of £111,000			
Maintains good ability to respond to SFIS with cover for this. Provides good level of fraud investigation resource.	None	Would provide capacity to work on preventing and detecting wide range of corporate frauds, publicise this and create excellent deterrent effect.	High risk of not recovering sufficient income to be self financing

Option 2 above is preferred as this provides the SPOC resource required by DWP and provides the minimum level of investigative resource with cover for holidays and sickness, recognising that two people are required for certain activities. Option 3 is considered too high cost when the council is facing a future

of declining financial resources. There is too much uncertainty about the ability to make recoveries that would fund a team of this size. Whilst there are similar risks in terms of funding the smaller team of 2 FTE, this is the minimum size of team that can deliver the residual responsibilities and this minimises the risk of any funding shortfall. Do Nothing and Option 1 do not provide any assurance which would meet the council's residual responsibilities in relation to CTRS fraud and are therefore not acceptable.

5.0 CONCLUSION

- 5.1 The Council is exposed to the risk of fraud in CTRS and has a responsibility to manage this following the transfer of the HB fraud team to SFIS. It also has residual responsibilities in terms of liaising with SFIS in relation to HB fraud and will receive some funding for this work. The minimum size of team needed to fulfil these residual responsibilities is 2 FTE, both of whom need to be PINS trained and able to cover for each other. One will focus on SPOC responsibilities and one will focus on CTRS investigations. There will be some resource between them to work on selected council tax discount and exemption cases highlighted in normal review work. Together this will generate an income stream which, along with DWP funding, should cover the costs of the team of two.
- 5.2 Policy & Resources Committee is asked to approve the formation of a CFIT of 2 staff as this is the best option. The team should be self-financing and will help to protect the Council from the effects of fraud and also protect the Council from reputational damage when fraud is uncovered within Argyll and Bute.

6.0 IMPLICATIONS

- 6.1 Policy: Some modest revision of Anti Fraud Strategy and related annexes will be required following SFIS transfer in Oct 2015.
- 6.2 Financial: Proposed CFIT should be self financing.
- 6.3 Legal: None
- 6.4 HR: Would require 2 new posts to be created which should be at a comparable grade to the existing counter fraud officers. Current HB counter fraud officers would be able to apply for these posts as an alternative to transferring to SFIS.
- 6.5 Equalities: None
- 6.6 Risk: If approved, a new CFIT would mitigate risk that Council will be exposed to CTRS Fraud in the future. Without such a team, there is no capacity in Benefits to absorb new SPOC responsibilities or carry out residual CTRS fraud responsibilities.
- 6.7 Customer Service: None

Appendices:

- 1 Areas susceptible to fraud within Revenues and Benefits
- 2 Argyll and Bute Council fraud case studies
- 3 Residual Obligations for council after SFIS transfer

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5 February 2015

Bruce West

Head of Strategic Finance

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CORPORATE COUNTER FRAUD TEAM BUSINESS CASE

APPENDIX 1: COUNCIL AREAS SUSCEPTIBLE TO FRAUD

1. COUNCIL TAX SINGLE PERSON DISCOUNT (SPD) FRAUD

In 2014 we have 15,169 SPD claims which total £4,060,190 per annum in discounted Council Tax bills. The last review carried out on our SPD caseload highlighted 780 awards (around 5%) which were incorrect and their discount was cancelled. Our existing SPD review process cancels the discount back to the 1 April in the year that the inconsistency is picked up. This limits the overall amount of underpayment. A Counter Fraud Investigation team could obtain more information about cohabitation and give a more accurate calculation of the date this change should be applied from thereby generating more income for the Council. A Counter Fraud Investigator could potentially challenge new applications more rigorously than we do at present.

The Audit Commission estimates that 4 to 6% of all Single Person Discount claims are fraudulent. This correlates with Argyll and Bute's figures which suggest that 5% of SPD's are erroneous or fraudulent. The Council has just signed a two year contract with Datatank to undertake reviews of the Single Person Discount caseload over the next two years. Where the customer does not agree to the removal of the SPD, Datatank will advise the Council that there is a discrepancy, and it then becomes the Council's decision to conduct an investigation into the case and ultimately to remove the discount. The Counter Fraud Investigation team will get involved at this stage and conduct interviews using the section 35(1) of the Data Protection Act 1998. It is anticipated that this could generate an additional £27,000 of revenue for the Council.

2. COUNCIL TAX FRAUD – OTHER DISCOUNTS AND EXEMPTIONS

This occurs when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Taking the rate of fraud in SPD claims as a guide, and in the absence of any other work being carried out, the NFA has assumed a conservative 4% fraud rate across all council tax discounts and exemptions.

A Civil penalty can be imposed for Council Tax at a rate of £500 for the offence of either failing to respond to a request for information to identify the liable person or failure to report that a discount should no longer be applied. These penalties also apply to landlords of houses of multiple occupation, managers of hostels and lawyers and advisers who may be acting on behalf of the taxpayer. The Council imposed civil penalties in respect of Council Tax for the first time last year due to poor response rates to requests for information in respect of the double Council Tax charge on long term empty properties. There are opportunities to be much more pro-active using these powers to ensure tyha accuracy of the council tax register.

3. COUNCIL TAX REDUCTION SCHEME (CTRS) FRAUD

CTRS was introduced in April 2013 as the replacement for Council Tax Benefit (CTB). In 2014/2015 we awarded £5.6m CTRS in Argyll and Bute. The scheme in Scotland is identical to the previous CTB scheme, and therefore the process for investigating fraud is also identical. Over the last three years the Counter Fraud Investigation team has identified £84,000 of CTB/CTR fraud with an anticipated £20,000 of CTRS fraud identified in the current financial year.

APPENDIX 2 – ARGYLL AND BUTE COUNCIL FRAUD CASE STUDIES

CASE STUDY 1 – FRAUD BY COUNCIL EMPLOYEE RELATING TO HOUSING BENEFIT (HB), COUNCIL TAX BENEFIT (CTB) AND COUNCIL TAX REDUCTION SCHEME (CTRS)

A Council employee admitted making false statements to obtain £4,166 in HB (£3,336), CTB (£318) and CTRS (£512) by failing to declare student status and student income. The claimant accepted an administrative penalty of £2,000 as an alternative to prosecution.

CASE STUDY 2 – FRAUD BY COUNCIL EMPLOYEE RELATING TO HB, CTB AND CTRS

A claimant in receipt of HB and CTB and then CTRS failed to declare that they had commenced employment with the Council and therefore was in receipt of Earned Income which meant they had no entitlement to the benefits. The claimant then gave a false start date during an interview under caution in an attempt to minimise their losses. The case has been passed to the procurator fiscal for consideration of criminal proceedings. The total overpayment is £1,801 including HB £1,468, CTRS £328 and CTB £5.

CASE STUDY 3 – FRAUD BY COUNCIL EMPLOYEE RELATING TO HB, CTB AND CTRS

A Council employee is suspected to have falsely claimed HB and CTRS by not declaring her employment with the Council and income. It is also alleged that she gave a false start date for her employment after the investigation commenced and has not declared that she lives with her partner. The investigation is ongoing and as yet it is not possible to determine the value of the overpayment identified in this case.

CASE STUDY 4 – HB AND CTB FRAUD

This case involves conspiracy to defraud the DWP and the Council. The claimant has been residing in Malta since 2006 whilst claiming Housing Benefit from the Council and Pension Credit from the DWP. The combined overpayment is estimated as £74,000. The claimant was devious in that he was assisted by another suspect who was residing in the housing association rented property and who collected the claimant's benefit money before delivering it in cash by meeting him in Malta once per quarter. Under normal circumstances these actions would have circumvented any routine investigation. However an anonymous referral was received and the Council's Fraud team worked with the DWP investigation team and the Police undertaking surveillance on the suspect which corroborated the allegation.

At the request of the Council the Police obtained a search warrant and further evidence was obtained including £10,000 in cash from the property. This is currently a production which is subject to the Proceeds of Crime Act (POCA).

Although the investigation has proved difficult in terms of working with Interpol and recovering evidence from the Maltese authorities, however the team are hopeful that the case will be presented to the procurator fiscal in the near future. What is clear is that the fraud is no longer being perpetrated saving the taxpayer £900 per month. In

addition West Highland Housing Association has been able to let the flat to a family who has a genuine need for housing in the area.

CASE STUDY 5 – HB, CTB, CTRS AND STATE BENEFIT FRAUD

This case involves a claimant defrauding the Council and the DWP of benefits to the value of £73,132. The claimant, who was claiming HB (£13,686) CTB (£4,227), CTRS (£497) and pension credit (£54,723), was operating a scrap metal business. The accused had capital in his bank accounts in excess of £40,000 as well as his assets from his business (commercial vehicles), he had private cars which were valued at the higher end of the market. The accused has been reported to the Procurator Fiscal and further enquiries are continuing. At interview stage the accused gave up his pitch at the travelling person's site and all his benefits were stopped. The enquiry, both complicated and vast has uncovered evidence from a large number of different areas which in turn has uncovered other long term benefit fraud allegations. Various breaches of other regulations have been reported to other organisations such as SEPA, ACHA and the Traffic Commissioners.

CASE STUDY 6 – HB, CTB AND STATE BENEFITS

This case relates to a living together allegation which had a combined overpayment of £13,394. The claimant had falsely claimed HB (£5,343), CTB (1,772) and DWP benefits (£6,283). The claimant refused to be interviewed and investigations had to establish evidence of identity. The claimant pled guilty at Oban Sheriff Court and sentencing outcomes are still awaited.

CASE STUDY 7– HB, CTB AND STATE BENEFITS

This case relates to a living together allegation which had a combined overpayment of £12,235. The claimant had falsely claimed HB (£5,695) CTB (£510), CTRS (£1,230) and DWP benefits (£4,801). The claimant and alleged partner are nurses. Decision on this case is pending but is likely to end with a report to Procurator Fiscal.

CASE STUDY 8 – HB, CTB AND STATE BENEFITS

The claimant had failed to report an occupational army pension. The combined overpayment of £42,068 was for defrauding the Council and DWP of benefits. This involved £18,632 of HB, £3,363 of CTB and £20,073 of DWP benefits. The case was reported to the Procurator Fiscal. The outcome is awaited.

CASE STUDY 9 – HB AND COUNCIL TAX FRAUD

The fraud sections are currently working with the Home Office in relation to alleged slave labour practices being undertaken in Argyll and Bute. Some of these cases are linked to HB overpayment but also to Council Tax evasion. Identity fraud is also a factor being considered and the use of forged documents to claim benefits.

APPENDIX 3 - RESIDUAL OBLIGATIONS FOR ARGYLL AND BUTE COUNCIL AFTER THE TRANSFER OF COUNTER FRAUD INVESTIGATORS TO DWP

After the implementation of the SFIS the Council will continue to have obligations to fulfil under the Social Security Fraud Act 2001 and the Local Government (Scotland) Act 1973. The transfer of the fraud service to DWP would make meeting those obligations a difficult task, as Council staff will be expected to provide information in relation to residual Council Tax Benefit (CTB) and Housing Benefits (HB) including the following:

- The claim forms and supporting documentary evidence during the period of the claim
- Electronic data held for that claim
- The claim review form
- Letters and any other communication from the HB (Housing Benefit)/CTB (Council Tax Benefit) claimant relating to the award
- Details of any interview or telephone call with HB/CTB claimant related to the award
- Witness statements and Schedule 8 documents under the Criminal Procedures (Scotland) Act 1995 to authenticate evidence supplied for prosecution
- Any other material which is relevant to the investigation.

The Council will have to give evidence as requested by FES as well as a witness statement from the officer who provided the information and a schedule 8 document for each piece of evidence whenever a case is referred to the Procurator Fiscal. To provide information in this format is labour intensive and attention to detail is paramount. The schedule 8 document (section 279 of the Criminal Procedure (Scotland) Act 1995) means that all documentary productions will require one or two certificates of admissibility in criminal proceedings of copy documents and of evidence contained in business documents. Currently the Investigator will complete these documents for all witnesses to sign, and will prepare the witness statement as far as possible. Both tasks are lengthy and sometimes complicated.

From 1 October 2015, the Council must provide the following under the Social Security Administration Act 1992 or the Local Government (Scotland) Act 1973:

- A Single Point of Contact (SPOC) to provide a liaison service in respect of DWP benefit investigations involving HB and the Information Sharing Protocol; This would involve the SPOC providing supporting evidence as requested by FES. A witness statement by the person who provided the evidence, and a Schedule 8 document will also have to be provided.
- Counter fraud services to prevent detect and investigate Council Tax Reduction (CTR) fraud; there is currently £5.589 million of Council tax reduction awards administered in Argyll and Bute.
- Often CTR is claimed jointly with HB by claimants. However, CTR is now a discount of Council Tax and FES will refer all CTR cases back to Argyll and Bute Council even where they have investigated the HB claim and made adjudication. They will not provide the evidence to support any adjudication required by the Council to investigate the CTR offence and therefore an

investigation to obtain this evidence will have to be carried out by the Council.

Other residual obligations will include:

- A counter fraud service to prevent, detect and investigate Council Tax discount fraud, particularly in relation to Single Person Discount (SPD) fraud. Based on the exercise carried out in 2010, approximately 780 cases were identified as either fraudulent or erroneous, 5.2% of the caseload. The Council do not currently investigate fraud in relation to Council Tax discounts however under a corporate fraud approach these cases would be referred to the Corporate Fraud team to obtain evidence and to prepare for a case for prosecution if required.
- The Counter fraud investigation team would also provide annual fraud awareness training to all Revenues and Benefit staff.
- Should the DWP require local authorities to sift cases before referring to them to SFIS, based on 2013/2014 figures this would be in the region of 294 cases per year.

The DWP will give the council funding for new burdens in relation to the formation of SFIS. It is not clear how much funding this will be at this stage. For the purposes of this paper, it has been estimated in the region of £19,000 per annum based on other funding streams from DWP. There is a risk that it might be less.

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Audit Committee Work Plan 2014-15

March 2015: This is an outline plan to facilitate forward planning of reports to the Audit Committee.

Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
Friday 13 March 2015					
	Vat Risk Review	Interim Head of Strategic Finance	By Exception	4 March 2015	
	Tax Risk Review	Interim Head of Strategic Finance	By Exception	4 March 2015	
	Financial Statements 2014 – 15	Interim Head of Strategic Finance	Annual	4 March 2015	
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly	4 March 2015	
	Internal Audit Reports to Audit Committee 2014 - 15	Chief Internal Auditor	Quarterly	4 March 2015	
	External & Internal Audit Report Follow Up 2014 – 2015	Chief Internal Auditor	Quarterly	4 March 2015	
	Annual Audit Plan 2015/16	Chief Internal Auditor	Annual	4 March 2015	
	External Audit Plan 2014 - 15	External Auditors	Annual	4 March 2015	
	Audit Committee Development: Action Plan	Chief Internal Auditor	Quarterly	4 March 2015	
	Counter Fraud Team – Business Case	Executive Director – Customer Services & Head of Strategic Finance	By Exception	4 March 2015	
Friday 19 June 2015					
	Internal Audit Reports	Chief Internal Auditor	Quarterly	10 June 2015	

Audit Committee Work Plan 2014-15

	Internal Audit Activity Summary Report	Chief Internal Auditor	Quarterly	10 June 2015	
	Internal /External Audit Follow up	Chief Internal Auditor	Quarterly	10 June 2015	
	Audit Committee Action Plan	Chief Internal Auditor	Quarterly	10 June 2015	
	Annual Audit Committee Report	Chairman	Annual	10 June 2015	
	Review of Code of Corporate Governance	Governance and Law	Annual	10 June 2015	
	Risk Management and Audit Report by Chief Executive	Head of Strategic Finance	Annual	10 June 2015	
	External Audit Reports	External Auditor	Quarterly	10 June 2015	
	Unaudited Financial Statements	Head of Strategic Finance	Annual	10 June 2015	
	Internal Audit Annual Report	Chief Internal Auditor	Annual	10 June 2015	
Friday 25 September 2015					
	Internal Audit Reports	Chief Internal Auditor	Quarterly	16 September 2015	
	Internal Audit Activity Summary Report	Chief Internal Auditor	Quarterly	16 September 2015	
	Internal /External Audit Follow up	Chief Internal Auditor	Quarterly	16 September 2015	
	Audit Committee Action Plan	Chief Internal Auditor	Quarterly	16 September 2015	
	Risk Management Annual Assurance Report	Head of Strategic Finance	Annual	16 September 2015	
	Treasury Management Annual Assurance Report	Head of Strategic Finance	Annual	16 September 2015	

Audit Committee Work Plan 2014-15

	Performance Management Annual Assurance Report	Head of Improvement and HR	Annual	16 September 2015	
	External Audit Reports	External Auditors	Quarterly	16 September 2015	
	Audited Financial Statements	Head of Strategic Finance	Annual	16 September 2015	
	Governance of Community Planning Partnership	Area Governance Manager & Community Planning Manager		16 September 2015	
Friday 4 December 2015					
	Internal Audit Reports	Chief Internal Auditor	Quarterly	25 November 2015	
	Internal Audit Activity Summary Report	Chief Internal Auditor	Quarterly	25 November 2015	
	Internal /External Audit Follow up	Chief Internal Auditor	Quarterly	25 November 2015	
	Audit Committee Action Plan	Chief Internal Auditor	Quarterly	25 November 2015	
	Draft Internal Audit Annual Plan	Chief Internal Auditor	Annual	25 November 2015	
	External Audit Annual Report	External Auditors	Annual	25 November 2015	
	External Audit Reports	External Auditors	Quarterly	25 November 2015	
	Annual Assurance Map Review	External Auditors	Annual	25 November 2015	
	Strategic Risk Register Review	Head of Strategic Finance	Annual	25 November 2015	
Future Reports – dates to be determines					

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