

Public Document Pack

Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate and Legal Services
Director: Nigel Stewart



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

1 November 2002

NOTICE OF MEETING

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD** on **FRIDAY, 8 NOVEMBER 2002** at **2:00 PM**, which you are requested to attend.

Nigel Stewart
Director of Corporate and Legal Services

BUSINESS

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST**
- 3. MINUTES**
Audit Committee 26 July 2002 (PAGES 1 - 4)
- 4. EDUCATION FINANCIAL POSITION**
Presentation by Finance Department (PAGES 5 - 12)
- 5. EXTERNAL AUDIT REPORTS TO COUNCIL FROM 1999/00 TO PRESENT - PROGRESS REPORT**
Report by Internal Audit Manager (PAGES 13 - 34)
 - (a) INFORMATION TECHNOLOGY UPDATE (PAGES 35 - 36)
 - (b) CORPORATE POLICY UPDATE (PAGES 37 - 42)
- 6. EXTERNAL AUDIT REPORTS TO COUNCIL FROM 2001/2002**
Report by Internal Audit Manager (PAGES 43 - 48)
- 7. INTERNAL AUDIT RESOURCES 2002/03 - UPDATE REPORT**
Report by Internal Audit Manager (PAGES 49 - 52)

- 8. INTERNAL AUDIT PLAN 2002-2003 - PROGRESS REPORT**
Report by Internal Audit Manager (PAGES 53 - 56)
- 9. LOCAL CODE OF CORPORATE GOVERNANCE**
Report by Director of Corporate & Legal Services (PAGES 57 - 76)
- 10. FUTURE ARRANGEMENTS FOR THE AUDIT COMMITTEE**
Report by Director of Corporate & Legal Services (PAGES 77 - 80)

AUDIT COMMITTEE

Vincent Bradbury (Vice-chairman)
Councillor Gordon McKinven
Graham Michie
Councillor John Stirling (Chairman)

Councillor Alistair MacDougall
Councillor James McQueen
Councillor Len Scoullar

Contact: Ruby Campbell 01546 604331

ARGYLL AND BUTE COUNCIL

MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD on FRIDAY 26 JULY 2002

- Present:** Councillor John Stirling (In the Chair)
- Councillor Alistair MacDougall Mr Graham Michie
Councillor Robert Macintyre
- Attending:** Stewart McGregor, Director of Finance
Charles Reppke, Head of Democratic & Community Services
Ian Nisbet, Audit Manager
Steve Clark, KPMG
Asif Haseeb, Senior Audit Manager, Audit Scotland
- Apologies:** Councillor Gordon McKinven Mr Vincent Bradbury
Councillor James McQueen

1. MINUTES

The Committee approved the minutes of the Audit Committee of 24 May 2002 as a correct record.

2. VACANCY ON THE AUDIT COMMITTEE

At it's meeting on 27 June 2002, the Council agreed that Councillor Scoullar be replaced by Councillor Macintyre on the Audit Committee with effect from 26 July 2002.

Decision

To note the report.

(Ref: Report by Director of Corporate & Legal Services dated 27 June 2002, submitted).

3. PROGRESS REPORT ON INTERNAL AUDIT PLAN 2002-2003

The progress on the audit work performed by Internal Audit during the first quarter of 2002-03 was reported on by the Internal Audit Manager.

Decision

To note the progress made with the Annual Audit Plan for 2002-03.

(Ref: Report by Internal Audit Manager dated 26 July 2002, submitted)

4. PROGRESS REPORT ON EXTERNAL AUDIT REPORTS

The Internal Audit Manager outlined the progress made by management in the implementation of recommendations made by PricewaterhouseCoopers, the Council's former external auditors.

Decision

1. To note the contents of the Internal Audit Manager's Report dated 26 July 2002.
2. To note with concern the outstanding issues highlighted in the schedules and to request the appropriate officials to bring a detailed report on the reasons for non-compliance, if the issues remain unresolved as at the date of the next meeting.

(Ref: Report by Internal Audit Manager dated 26 July 2002, submitted).

*** 5. 2001/2002 ANNUAL ACCOUNTS (UNAUDITED)**

The Director of Finance intimated that the unaudited Annual Accounts had been lodged with the Controller of Audit by 30 June 2002 as required by statute.

Decision

1. To note the submission of the unaudited accounts within the statutory timescale.
2. To note the very small accumulated surplus and to highlight to the Council the need to increase this in their approach to the budget process for future years.
3. That the Education Finance Team be invited to give a presentation to the next meeting of the Audit Committee.

(Ref: Report by Director of Finance dated 17 June 2002, submitted)

*** 6. 2001-2002 ANNUAL REPORT**

The Internal Audit Manager provided Members with information on audits performed by internal Audit during 2001-2002.

Decision

1. To note the terms of the report.
2. To recommend to the Council that it note the satisfactory performance of Internal Audit for 2001/2002.

(Ref: Report by Internal Audit Manager dated 26 July 2002, submitted).

7. APPROACH TO BENCHMARKING

The Head of Accounting submitted a report outlining the approach to Benchmarking by internal audit which had been requested at the last meeting of the Audit Committee.

Decision

To note the terms of the report.

(Ref: Report by Head of Accounting dated 2 July 2002, submitted).

8. IMPROVING PERCENTAGE DIRECT AUDIT TIME

At its meeting on 24 May 2002, the Audit Committee had requested that Internal Audit along with KPMG identify steps to improve the target of 67% which is the present percentage of direct audit time. Steve Clark outlined the response to this request.

Decision

Agreed to note the terms of the report.

(Ref: Report by KPMG dated 25 June 2002, submitted).

PROGRESS REPORT FOR PERIOD TO 30 AUGUST 2002

1 Introduction

- 1.1 The purpose of this report is to provide details of the progress, for the period to 30 August 2002, on the improvements to financial control within Education. The report will also highlight any new issues that have arisen and will outline the current status of the action plan, with any changes also being highlighted. In addition, details of any difficulties being encountered will be reported.

2 Progress

- 2.1 *This section provides details of tasks, previously identified, that have been completed and those that are still in progress.*

2.1.1 **Preparation of detailed revenue budget for 2002/2003** - the detailed costing exercise was completed, by the deadline stipulated within the action plan, with the outcome being that the funds required to deliver the current Education service is, approximately, 1.3 million more than the resources allocated to the service for 2002/2003. As a result, the Strategic Policy Committee, on 29 August 2002, approved a savings plan totalling 1.1 million and, in addition, the formulation of a core team to undertake a review of the Education service costs and delivery. The outcome of this review having to inform the budget preparation process for 2003/2004. In addition, further savings options will require to be identified to meet the shortfall, as discussed at Strategic Policy Committee.

2.1.2 **Meetings with budgets holders** - meetings with budget holders are now concentrating on budget monitoring. However, budget preparation, for 2003/2004, has commenced and budget holders will be fully involved in the process.

2.1.3 **Employee Budget Preparation** - the employee templates were completed for the current year, however, the task of ensuring that costs are being allocated correctly will take a number of months to complete.

2.1.4 **Finance Consultation Group** - the first meeting of this group is due to take place on 4 September 2002. The group consists of all Secondary Head Teachers, Primary Area Co-ordinators, 2 further Primary Head Teachers and an Admin/Finance Assistant. The purpose of the Group is to discuss financial issues and reach agreement regarding necessary changes to procedure. The minutes from these meetings will be distributed to members of the Education Financial Monitoring Group.

2.2 *This section provides details of additional tasks that were not previously identified.*

2.2.1 The number of tasks, out with the action plan, continues to increase. It would not be practical to list all tasks, however, it should be noted that these tasks are an essential part of the ongoing success of the team. It's extremely important that budget holders request assistance / advice from the finance team, on an ad-hoc basis, as this will further strengthen the relationship and should also enhance the knowledge being gained by budget holders.

2.2.2 It has been agreed that the Education Finance Team provide support to the Education Review (refer to separate paper by Ronnie Gould, Head of Support Services) and the NPDO project. In terms of the Education Review the Accounting Manager is a member of the Core Team requiring an input of no less than 40 days between September and December. An Accountant from the team, on an adhoc basis, will also provide further support.

2.2.3 The details of the support to the NPDO have still to be agreed, however, the NPDO project budget will fund additional support costs and this will be used to employ an additional Accountant.

3 Problems / Difficulties

3.1 *This section provides details of some of the difficulties that have been experienced.*

3.1.1 **Grant Claims** - grant claims and audited certificates, in respect of the New Opportunities Fund - ICT Training for Teachers, have not been submitted for 2 years. However, the year-end accounting entries in respect of the grant funding have been processed. Contact with the grant provider has been made and details have been received regarding the procedures to be followed in order to make backdated claims etc. Some progress has now been made, however, there is a difficulty identifying expenditure in 1999/2000 and monies for that period have been received. An update will be provided at the next meeting.

3.1.2 **Integrated Team** - the Team is now fully staffed, in accordance with previous decisions, and the structure has now been changed to take into account the additional challenges of the next few months.

4 Action Plan

4.1 Appendix 1 outlines the main areas that will form the basis of the integrated action plan and provides details of target completion dates. This plan now incorporates the original KPMG plan and a cross reference is given, under the heading "Original ref." It should be noted that items relating to financial year 2001/2002, that is, recommendations 11, 12, 13 & 14, are no longer applicable. Target completion dates, which have not been achieved, are highlighted. It is not intended to incorporate any of the tasks associated with either the Review or the NPDO within the Action Plan.

5 Priorities for September to December

5.1 Action Plan:

- Implementing Oracle/DMR link and revising reconciliation procedures;
- Preparation of a detailed budget for 2003/2004 (refer to separate note);
- Implementation / ongoing review of monitoring procedures for budget holders in terms of corporate and departmental processes; and
- The alignment of expenditure / income to budget;

5.2 Education Review:

- Participation of Accounting Manager as a member of the Core Team with a minimum requirement of 40 days.
- Provision of support, on an adhoc basis, by Finance Team staff, as directed by the Accounting Manager.

5.3 NPDO:

- Provision of support to Project Team by Accounting Manager; and
- Provision of support, on an adhoc basis, by an Accountant, as directed by the Accounting Manager.

Summary Augmented Action Plan – position as at 30 August 2002

No.	Task	Target	Comment	Original ref.
1	Preliminary tasks:			
	Meet seconded staff	Complete	Complete	n/a
	Meet Heads of Service	Complete	Complete	n/a
	Meet AFAs	Complete	Complete	n/a
	Secure staffing for team	Complete	Complete	n/a
	Arrange office accommodation	Complete	Complete	n/a
	Form view on role of all staff in team and formulate a plan for the organisation of the team	Complete	Complete	n/a
2	Grant Claims 2001-2002:			
	Complete and check grant claims for 2001-2002	Complete	With the exception of NOF	n/a
	NOF Grant Claims and Audited Certificates	30 September 2002		n/a
3	COSLA Spending Review:			
	Complete COSLA spending review submission	Complete	Complete – additional task not originally scheduled	n/a

Summary Augmented Action Plan – position as at 30 August 2002

No.	Task	Target	Comment	Original ref.
4	Year End & Annual Accounts:			
	Completion of accruals and year end close down	Complete		n/a
	Review of year end outturn	Complete		n/a
5	Grant Claims & Returns - 2002/2003:			
	Prepare grants timetable incorporating bids, interim claims and final claims.	30 September 2002		n/a
	Prepare procedures for the compilation, verification and submission of the various claim forms	31 October 2002		n/a
6	Budget Preparation - 2002/2003:			
	Roll out of school budgets	Complete		n/a
	Identification of budget holders for non-school budgets	Complete		n/a
	Formation of detailed non-school budgets and agree budgets with budget holders and management	Complete		n/a
	Complete costed manpower establishment and agree with budget holders and Personnel	Complete		1

Summary Augmented Action Plan – position as at 30 August 2002

No.	Task	Target	Comment	Original ref.
7	Budget Monitoring:			
	Meet budget holders in order to ascertain level of knowledge, gain information on current procedures and identify training requirements	Complete		n/a
	Review and set criteria for variance explanation reporting	Complete		4, 5
	Establish monthly routine and procedures for completion of budget monitoring	Complete		3, 9
	Establish procedure for the recording of progress against savings imposed	30 September 2002		15
	Compile and deliver training to meet identified need of AFAs (training scheduled to commence in October)	31 December 2002		n/a
8	Financial Record Maintenance:			
	Implement budget link between DMR and Oracle	30 September 2002		6, 8
	Preparation of revised procedures for reconciliation of DMR to Oracle at each month end	30 September 2002		2
	Review arrangements for input of virement to DMR including revised thresholds to allow AFAs to input virements	30 September 2002	To be discussed at Finance Consultation Group	

Summary Augmented Action Plan – position as at 30 August 2002

No.	Task	Target	Comment	Original ref.
	Review of DMR Scheme of Delegation, including carry forwards	30 September 2002	Additional task	7
9	Budget Preparation – 2003/2004:			
	Preparation of detailed budgets (budget holder responsibility)	In line with budget timetable		n/a
	Verification of budgets	In line with budget timetable		n/a
	Agreement of accumulated costs	In line with budget timetable		10
	Completion of all other tasks in line with guidance	In line with budget timetable		n/a

**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
8th NOVEMBER 2002**

**PROGRESS REPORT on EXTERNAL AUDIT REPORTS TO COUNCIL FROM
1999/00 TO PRESENT**

1. SUMMARY

Internal Audit has produced a list of all external audit management letters produced from 1999 – 2000 to the present. (See Appendix 1). A review regarding the progress made by management in the implementation of external audit from PricewaterhouseCoopers (PwC) has been performed the results of which are detailed below.

2. RECOMMENDATIONS

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

3. DETAILS

- 3.1 A review by Internal Audit as at the 11th October 2002 indicates that 2 recommendations for the Interim Management Letter 2000/2001 still remain to be implemented. One of has an implementation date of March 2003 whilst for the second the Finance department are awaiting responses from departments. (See Appendix 2).
- 3.2 A review by Internal Audit as at the 11th October 2002 indicates that there are 6 recommendations still to be implemented from the Second Interim Management Letter 2000/2001. However progress is being made towards implementation. One (Ref no.1) has been rejected by IT, as it does not provide good value to the Council. (See Appendix 3).
- 3.3 A review by Internal Audit as at the 11th October 2002 indicates that there are 2 recommendations yet to be fully implemented for the Audit Management Letter 2000/2001. Progress has been made in the one relating to PI's. The remaining one is contingent on completion of (9.01) and progress can only be made when this is completed. (See Appendix 4).
- 3.4 The final Systems Audit Management Letter 2000 – 2001 report was received on the 20th September 2002 and distributed to management. A review by Internal Audit as at the 7th October 2002 indicated that all accepted recommendations had been implemented. PricewaterhouseCoopers (PwC) has offered an apology for the delay in issuing the final report.
- 3.5 The first management report produced by Audit Scotland entitled Regularity and Governance was received by the Council and is the subject of a separate report to committee.
- 3.6 With regard to the above management letters, Internal Audit has carried out testing in order to confirm assurances obtained from management. Continued testing will be performed as part of the new 3-year audit plan.

3.7 Members of the committee at the meeting in July 2002 requested that if recommendations remained outstanding at the time of the next meeting then the appropriate officers were to bring a detailed report to the committee giving reasons for non-compliance. As can be seen from this report some recommendations remain outstanding and the appropriate officials will present their detailed reports to committee today. The list of departments and what reports are to be presented is given below.

- Gerry Wilson, Head of It Infrastructure I.T. will report to the committee on the Second Interim Management Letter outstanding recommendations covered in Paragraph 3.2
- Alasdair Bovaird, Head of Corporate Policy will report on the Audit Management Letter outstanding recommendation covered in Paragraph 3.3

4. CONCLUSIONS

Implementation of recommendations will continue to be monitored by Internal Audit as part of the annual audit plan. Those action points remaining to be implemented have been reported to committee with reports provided by the appropriate officials.

5. IMPLICATIONS

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

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

Ian Nisbet
Internal Audit Manager 08November2002.
08novprogreport08nov

EXTERNAL AUDIT REPORTS

PwC Report Name	Comments Obtained from Respondents Y/N	Recommendations Outstanding
Systems Audit Management Letter 1999/2000	Y	
Interim Audit Management Letter 1999/2000	Y	
Final Audit Management Letter 1999/2000	Y	
Response to Final Audit Management Letter 1999/2000	Y	
Response to Interim Management Letter 2000/2001	Y	
Interim Management Letter 2000/01	Y	2
Audit Management Letter 2000/2001	Y	2
Second Interim Management Letter 2000/01	Y	6
Systems Audit Management Letter 2000/2001:Housing and Council Tax Benefit	Y	0

**ARGYLL & BUTE COUNCIL
INTERIM MANAGEMENT LETTER 2000/01
SEPTEMBER 2001 (Updated 11 October 2002)**



DETAILED RECOMMENDATIONS

Findings	Recommendation	Management Comment	Responsible Officer	Update as at 08/10/01	Update as at 18/03/02	Update as at 20/06/02	Update as at 11/10/02
<p>2.02 Education budget has not been appropriately phased</p> <p>Our review of the Education monthly budget monitoring reports highlighted that a number of material variance had arisen because the budget had not been phased appropriately throughout the year.</p> <p>The budget does not therefore reflect the income and expenditure fluctuations throughout the year. This increases the complexity of departmental monitoring and variance reporting and carries a risk of misinterpretation.</p>	<p>The department should review income and expenditure patterns across the major lines of service to ensure that effective profiling of budgets can be carried out to provide a realistic reflection of departmental income and expenditure activity.</p>	<p>Finance and Education staff have undertaken a major exercise jointly. The cause of many of the phasing issues had been the expansion of new projects within the Excellence Fund and the provision of funding direct to Head teachers.</p> <p>Considerable scope existed for budget holders to decide upon the spend, eg, staffing, materials or repairs. In addition, some projects required consultation with partners before plans were implemented. As the programmes become more stable, the issue will diminish. Finally, a review will be undertaken on the timing of the invoices</p>	<p>Joseph McGeer (Now the responsibility of the Finance Team, Duonoon and future reports will reflect this)</p>	<p>Ongoing</p>	<p>Ongoing In process, but Director of Finance is directly responsible</p>	<p>An action plan has been prepared to address the improvements required in financial control within Education. This is a much wider issue than that identified by PWC. The action plan is currently being progressed by an augmented finance team for Education. A monitoring group of members and senior officials has been established to review progress against the action plan. The Group is reporting progress to the Strategic</p>	<p>An action plan has been prepared to address the improvements required in financial control within Education. This is a much wider issue than that identified by PWC. The action plan is currently being progressed by an augmented finance team for Education. A monitoring group of members and senior officials has been established to review progress against the action plan. The Group is reporting progress to the Strategic</p>

Findings	Recommendation	Management Comment	Responsible Officer	Update as at 08/10/01	Update as at 18/03/02	Update as at 20/06/02	Update as at 11/10/02
3.03 No Monitoring Controls over DES Stock Insufficient monitoring controls exist over stock held by the Development and Environmental Services Department. This includes Departmental and DSO stores for Leisure Management, Ground Maintenance and Refuse Collection/Street Sweeping. No stock systems are maintained, other than informal local records. Two stores in Helensburgh were identified by Internal Audit in February 2001 as having no stock records at all. The absence of such controls over the stock cycle increase the risk of	A comprehensive stock recording and monitoring system should be introduced in the Development and Environmental Services Department, with regular stock counts taking place. Stores staff should be fully trained in the procedures for ordering, receiving and issuing of stock. This should help to ensure that these new procedures are properly implemented and operated correctly.	from other departments of the Council. The statement at 3.03 does not accurately reflect the Stock Report, to quote the Report : “Oban Millpark Depot where both Grounds Maintenance and Waste Management Stores are located, practices were found to be good in that an accurate record keeping system had been put in place by store staff. The system provides reliable stock records and valuable management information.” In addition, no visits were made to Leisure Management facilities and yet 3.03 refers to	Andrew Law, Head of Amenity Services	Ongoing	31 March 2002 Is being installed in Oban this week and will be installed in all areas for Year End Stock take. All stores should have system as of End April 2002	Policy Committee. The action plan continues until March 2003.	Policy Committee. The action plan continues until March 2003
						Policy Committee. The action plan continues until March 2003.	The computerised system was implemented during the week commencing 14 September 2002.

Findings	Recommendation	Management Comment	Responsible Officer	Update as at 08/10/01	Update as at 18/03/02	Update as at 20/06/02	Update as at 11/10/02
<p>undetected misappropriation of items in stores, material errors or misstatements in the stock balance.</p>		<p>Leisure Management. However, management welcomed the Stock Report as it highlighted several areas where substantial improvement was needed. Helensburgh stores were found not to be operating any stock system at all. Kilmory and Campbelltown stores were found to lack accurate records due to poor record keeping. Two key recommendations were agreed: 1. That the computerised stock system operating successfully in Oban should be modified to be used throughout all Amenity Services depots; 2. That a stock review is carried out with procedural guidelines issued to all stores.</p>				<p>However this now resolved and member of staff returns on 1st July, at which time her priority will be to put in place the system in its computerised form to all depots.</p>	

	Findings	Recommendation	Management Comment	Responsible Officer	Update as at 08/10/01	Update as at 18/03/02	Update as at 20/06/02	Update as at 11/10/02
			<p>This programme has already commenced and a revised Oban based system is currently being installed in the Kilmory depot as the first stage of extending this system to all other Amenity Services stores.</p>					
<p>5.01</p>	<p>No list of authorised signatories</p> <p>When area office administration staff are authorising changes to the debtors accounts, there is a requirement to sign a cover sheet which includes:</p> <ul style="list-style-type: none"> • the debtors details; • the person keying in the information; and • the officer who has verified that action. <p>However, we noted that no list of authorised signatories for administrative staff</p>	<p>An authorised signatory list should be kept of administrative officers who may authorise changes to debtor's accounts.</p>	<p>Noted and will be actioned.</p>	<p>M McFarlane</p>	<p>Ongoing</p>	<p>Ongoing</p>	<p>There will be a request to all Directors to provide updated signatory lists by 30/09/02.</p>	<p>A memo was sent to all Directors on 29th August 2002 requesting an updated list of authorised signatories. A reminder was sent to those Directors still to respond on 24th September 2002.</p>

Findings	Recommendation	Management Comment	Responsible Officer	Update as at 08/10/01	Update as at 18/03/02	Update as at 20/06/02	Update as at 11/10/02
<p>exists.</p> <p>We were advised that this has arisen as finance staff know all the administration officers who may authorise changes, and where there is a doubt, clarification is sought by telephone. However, there is a risk that new staff starting in the office might not be familiar with these signatures and it also not possible for audit staff to confirm that signatures are as stated.</p>							

Appendix 3

**ARGYLL & BUTE COUNCIL
SECOND INTERIM MANAGEMENT LETTER 2000/01
JULY 2001 (Updated 11 October 2002)**

SECOND INTERIM MANAGEMENT LETTER

SECTION 6: ACTION PLAN

Reference No.	Recommendations	Responsible Officer	Agreed Date of Implementation	Management Comment update as at 11/10/02
Ref 1	Escrow agreements should be obtained for all specialised major applications.	K.Duncan	End July 2001 End September 2001	Escrow agreements have been identified for almost all specialised major applications. There is one major agreement outstanding – ORACLE, who do not offer a “multiple agreement” which the Council could buy into. The alternative would be to pay for a unique agreement with ORACLE at the cost of £2000 and £1000 annual cost thereafter. I.T. do not consider this to be particularly good value. The absence of an Escrow agreement would be considered a low risk considering ORACLE’s stability within the worldwide IT Software market.
Ref 2	<p>A review of controls over dial-up access should be undertaken and improvements made. Examples are:</p> <ul style="list-style-type: none"> • Third party vendors could have a bank of modems, which would only be switched on after a formal request for access. • Dial-in passwords could be alphanumeric, changed on a regular basis and not be recorded by the administrator of these accounts. 	A. Connolly	End December 2001	Still having technical problems. Task has been reallocated and alternative funds have been identified. Completion date is now December 2002.

SECOND INTERIM MANAGEMENT LETTER

SECTION 6: ACTION PLAN

Reference No.	Recommendations	Responsible Officer	Agreed Date of Implementation	Management Comment update as at 11/10/02
	<ul style="list-style-type: none"> • Restrictions on the use of dial up networking should be included within third party contracts and all dial-in requests should be formally recorded. • Dial-up access could be monitored and failed login attempts formally recorded and investigated. <p>Users should be reminded of the importance of enabling the pin number on their Nokia mobile phones.</p>			
Ref 3	Service Level Agreements and maintenance contracts held with third parties should be updated on an on-going basis, have a confidentiality clause, and where relevant contain a clause regarding external dial-up.	K.Duncan	Stage 3 & 4 : End December 2001 Stage 5 : End March 2002	Administration support is now in place and existing maintenance contracts are being collated and reviewed. Appropriate training has been planned to allow scanning and indexing of documents for central storage. Completion date is December 2002.

SECOND INTERIM MANAGEMENT LETTER

SECTION 6: ACTION PLAN

Reference No.	Recommendations	Responsible Officer	Agreed Date of Implementation	Management Comment update as at 11/10/02
Ref 4	<p>In order to increase system resilience it is recommended that a contingency and scenario planning exercise be undertaken. This should enable a full risk assessment to be made and a detailed disaster recovery plan to be developed. This plan should then be tested and updated on an ongoing basis.</p>	G. Wilson	End October 2001	<p>The Information Security Forum has now been established. G Wilson is preparing a presentation on a full scale information security disaster recovery initiative to the forum. The project will have significant financial and resource implications for the Council with no budget yet identified to implement any solution. A contingency and scenario planning exercise will be undertaken prior to Christmas and will include an assessment of the Council's insurance policies to determine if data recovery and contingency costs can be partially met from insurance policies. A full risk assessment based on securing or replacing IT systems in the event of a disaster will have to follow.</p>
Ref 5	<p>Formal key performance indicators for the IT department should be established and reported to management on a regular basis.</p>	G.Boyd	<p>End September 2001 End December 2001</p>	<p>Currently looking at measurable P.I.'s Expect to have P.I.'s established and reported by end of December 2002.</p>

SECOND INTERIM MANAGEMENT LETTER

SECTION 6: ACTION PLAN

Reference No.	Recommendations	Responsible Officer	Agreed Date of Implementation	Management Comment update as at 11/10/02
Ref 6	Controls over the Council network should be strengthened.	A. Connolly	End October 2001 April 2001	<p>Are currently working on procedures – no date as yet.</p> <p>Are pushing to get a number of procedures by end of March 2003.</p> <p>Has not been done due lack of resources – should be done by March 2003. If not done by January 2003 additional staff will be brought in to do this.</p> <p>A new server has been installed to control FTP access. Work Completed.</p> <p>Backups are monitored manually – automatic monitoring is not essential. Work Completed.</p>

ARGYLL & BUTE COUNCIL
AUDIT MANAGEMENT LETTER 2000/01
7 JANUARY 2002 (Updated 11 October 2002)



Findings	Recommendation	Management Comment	Responsible Officer	Agreed completion date	Update as at 20/06/02	Update as at 11/10/02
<p>Performance Indicators – supporting information</p> <p>As part of our audit we undertake work on the Statutory Performance Indicators (“PIs”) produced by the Council. From this work we noted that there were a number of problems within the systems used for recording the information from which the PIs are produced.</p> <p>We could not place reliance on the information provided and had to grade 11 out of 65 PIs as an “X” where the reliability of the data was questionable.</p>	<p>The supporting information for the PIs should be recorded and reported throughout the financial year.</p>	<p>Management is aware of this issue. Procedures currently under review.</p>	<p>All Directors</p>	<p>Partially Completed</p>	<p>Partially Completed</p>	<p>The Corporate Policy section of the Chief Executives Department took steps to improve the collection of data for the 2001/02 PIs. This has resulted in the number of the Council’s “X” rated PI’s being reduced from 11 in 2000/01 to 7 PIs in 2001/02 with 5 repeats from 2000/01. There is clearly still a need for improvement and the appropriate departments are currently addressing this.</p>

8.0.1

Findings	Recommendation	Management Comment	Responsible Officer	Agreed completion date	Update as at 20/06/02	Update as at 11/10/02
	<p>Best practice would suggest that performance measures should be reported to the Council on a quarterly basis as these provide useful information as to how Council departments are performing. This would enable the Council to take corrective action if required.</p>	<p>Management is aware of this issue. A report on remedies for some of the underlying difficulties is before the Management Team for consideration.</p>	<p>Alasdair Bovaird</p>	<p>Ongoing</p>	<p>Has started. First round of quarterly reports to go to Management Team on 26 August 2002.</p>	<p>A 6 monthly report will be presented to the Management Team on the 28 October 2002. It is then proposed to submit quarterly reports to the Management Team with 6 monthly reports going to the SPC.</p>

8.01
Cont

Findings	Recommendation	Management Comment	Responsible Officer	Agreed completion date	Update as at 20/06/02	Update as at 11/10/02
<p>Partial Exemption</p> <p>The Council has a VAT partial exemption de-minimus level of 5%. At the time of our visit, we noted that the Council had not undertaken a partial exemption calculation for either the 1999/2000 or 2000/2001 financial years, although we were advised that their VAT advisers were currently working on the 1999/2000 calculation.</p> <p>In the absence of any partial exemption calculations for either 1999/2000 or 2000/2001 we are unable to comment as to whether the Council has remained within its 5% de minimus limit. It should be noted that if the Council were to exceed its 5% limit, the VAT cost to it would be in excess of £340,000 per year (based on 5% of the input tax declared on the VAT returns submitted for 2000/2001).</p>	<p>The Council should review the current procedure for calculation of its partial exemption position such that this is undertaken on a timely basis.</p>	<p>The Council is going to review the contract for external consultancy for both partial exemption and advice support. It is the intention to carry out a tendering exercise early in 2002.</p> <p>It is still the intention to retender for this service in 2002</p>	<p>T Armour / B West</p>	<p>Ongoing</p>	<p>Ongoing</p>	<p>Contact has been made with KPMG, the Council's VAT advisers with a view to them undertaking this exercise. KPMG are now working on this.</p>

9.01

Findings	Recommendation	Management Comment	Responsible Officer	Agreed completion date	Update as at 20/06/02	Update as at 11/10/02
<p>Detailed Review of March 2001 VAT return</p> <p>The Council currently completes a VAT return to Customs and Excise on a monthly basis. The reconciliation of the return to the financial ledger includes a number of manual adjustments to reflect the council's operations.</p>	<p>Consideration should be given to agreeing an input tax estimate with Customs to allow for any VAT on expenditure invoices dated within the VAT return period that have not been processed by the period end. On the basis that the average delay in processing invoices is 30 days, a one off advance VAT payment of around £565,000 could be obtained. The cashflow benefit in respect of such an advance would be approximately £33,800 per year (based on interest rates at 6%).</p>	<p>Exercise to identify an input tax estimate for submission and agreement with customs and excise will be carried out. Although it will depend on the availability of staff and external consultants.</p> <p>We have had preliminary discussions with KPMG (VAT advisors) and we will look at this once the annual accounts have been prepared.</p>	<p>T Armour / B West</p>	<p>Ongoing</p>	<p>Ongoing</p>	<p>Once the exercise on estimation of time delay in VAT reclaim for creditors invoice has been completed arrangements will be made to retender the VAT advisory service. There is little point in carrying out a retendering exercise whilst this project is underway with the existing Vat advisers.</p> <p>Once the exercise mentioned in 9.01 has been completed arrangements will be made to commence the retendering.</p>

**ARGYLL AND BUTE COUNCIL
REPORT BY HEAD OF I.T. INFRASTRUCTURE**

AUDIT COMMITTEE

SECOND INTERIM MANAGEMENT LETTER 2000/01 – I.T. UPDATE

On the 11th October 2002, the Department of Information Technology provided an update to the outstanding items on the Second Interim Management Letter 2000/01. This paper provides supplementary information for consideration by the Audit Committee and explains the current workload position within the department.

The recommendations from the 2000/01 PWC audit resulted in a significant programme of works for the I.T. department at a time when other pressures and Council priorities had also to be addressed. The modernising agenda and 21st Century Government initiatives have added to an already burgeoning remit. Despite the increase in workload, the Department has successfully concluded much of the audit recommendations and continues to provide support for an ever increasing list of core services.

I.T. management and staff have led successful projects such as the Three Islands Partnership, Digital Communities, the NGfL Online Learning Community, the People's Network and the Broadband Pathfinder. At the same time our core support service has grown to cover 1300 corporate users accessing numerous corporate and departmental applications – many of which are new or have been recently upgraded. We have improved the efficiency of all services by implementing new systems such as our I.T. Service Desk, Central I.T. purchasing, Committee Document Management System, and the Oracle Financials upgrade.

KPMG recognised all of the above in their audit of I.T. dated July 2002. Below are two extracts from the audit report highlighting the need to address the lack of resources should the Council continue to expect the department to maintain support for core services *and* lead the way in developing successful 21st Century Government proposals.

2.1.2 IT skills and resources

The IT department is resourced adequately for core business activity, however staff time and resource is often stretched due to project work, including many 21st Century government initiatives. We understand staff turnover is limited and a training budget exists for on-going development. The Council does, however, have some difficulties in attracting staff given its remote location.

2.2.1 IT strategy and activity

There is no formal IT strategy linked to the overall Council strategy. Whilst IT is a major element in the 21st Century government initiative there is no formal IT strategy

covering both core activities and such government initiatives prevalent at present. Indeed, the departmental structure is not designed or resourced to provide both the critical core business activities and the ad hoc modernising government initiatives

Work continues on implementing all of the agreed recommendations from the various audits over the last two years, but members should be aware of the significant resource implications which may result from those recommendations. For example, there is no doubt that a comprehensive Disaster Recovery plan is urgently required and the risks identified following analysis of the proposed fire-fighters strike have underlined that need, but the Council should expect to set aside a six figure sum to pay for this additional major service.

Finally, the recommendations from the latest KPMG audit are under review and our latest response will include details of the cost implications of each proposal. This will allow the Council to identify and plan for the priority issues raised by the KPMG recommendations.

Gerry Wilson
Head of I.T. Infrastructure
30 October 2002

RepGW121

ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE****CORPORATE POLICY****8 NOVEMBER 2002**

STATUTORY PERFORMANCE INDICATORS

1. SUMMARY

The PWC management letter makes comment on the continued qualification of some performance indicators prepared by Argyll and Bute Council. The attached report, presented to the Strategic Policy Committee on 3 October 2002, gives further information on the reasons behind those qualifications. For reasons of brevity, the appendix to the SPC report is not included with this agenda.

2. RECOMMENDATIONS

That the Audit Committee note the contents of the report and continue to monitor progress in resolving the issues.

3. IMPLICATIONS

Policy:	The need for accurate and reliable performance information is fundamental in achieving the service, policy and financial goals of the Council.
Financial:	
Personnel:	
Equal Opportunities:	

ALASDAIR BOVAIRD
HEAD OF CORPORATE POLICY

For Further Information Contact: Alasdair Bovaird, 01546 604260

AN ANALYSIS OF PERFORMANCE INDICATORS 2001-2002

1. SUMMARY

This report analyses the Council's performance in 2001-2002 compared to the previous year and compared to the 2000-2001 Scottish average. The key messages in relation to performance are as follows

- The Council's performance is improving. It performed better than last year in 51% of the performance indicators and remained unchanged in 11% of the performance indicators (in the 'Council Profiles' document).
- The Council has 56% of its indicators above the 2000-2001 Scottish average and only 33% below average.

Secondly, this report summarises Audit Scotland's report, which outlined the findings of their Statutory Performance Indicator (SPI) audit in Argyll and Bute Council. Seven Statutory Performance Indicators have been qualified this year. Although this is an improvement on the eleven indicators qualified in 2000-2001 there is a need to further reduce the number of indicators qualified.

The report finally suggests improvement actions, which will address each of the auditors concerns, and suggest actions to facilitate further improvements.

2. BACKGROUND

The Council had a statutory duty to collect data and submit 66 Statutory Performance Indicators for 2001-2002. Many of these indicators have sub-sections or parts so services need to provide 305 pieces of data. The Council is required by law to advertise its performance indicators in the local press. The information that will be in this advert is in the appendix to this report.

Audit Scotland publishes the 'Council Profiles' document in March of each year. This document compares authorities performance against 73 pieces of performance information. The 2001-2002 Council Profiles document will be published in March 2003.

3 RECOMMENDATIONS

That the Committee:

- i) Note which indicators have shown improvements or deterioration.
- ii) Note the indicators qualified by Audit Scotland and the reasons for qualification; and
- iii) Instruct Directors to develop 'Performance Indicator Improvement Plan' as outlined in section 5.

4. COMMENTARY

4.1 Performance compared to last year (2000-2001) and performance compared to the 2000-2001 Scottish average.

Table 1 compares service's performance with their performance last year (2000-2001). It also compares the service's performance with last year's Scottish average it should be noted that it is not possible to use this year's Scottish average as Audit Scotland will not publish this figure until February / March 2003

Table 1 - Changes in services' performance.

Department	Performance in 2001-2002 compared with performance in 2000-2001						Compared to 2000-2001 Scottish Average	
	Improved		Worse		Unchanged		Better	
	Number	%	Number	%	Number	%	Number	%
Planning	1	50%	1	50%	0	0%	2	100%
Building Control	2	100%	0	0%	0	0%	2	100%
Environmental Health	7	100%	0	0%	0	0%	7	100%
Trading Standards	2	66%	1	33%	0	0%	3	100%
Leisure and Recreation	2	50%	1	25%	1 (No service)	25%	1	25%
Libraries	1	20%	1	20%	3	60%	1	20%
Environmental Services	2	50%	2	50%	0	0%	1	25%
DES Total	17	63%	6	22%	4	15%	17	63%
Social Work	6	38%	9	56%	1	6%	6	38%
Housing	4	57%	3	43%	0	0%	4	57%
Benefits Administration	3	60%	2	40%	0	0%	1	20%
HSW Total	13	46%	14	50%	1	4%	11	39%
TPS	0	0%	3	100%	0	0%	1	33%
Education	3	50%	1	17%	2	33%	5	83%
Finance	1	33%	2	67%	0	0%	2	66%
Corporate and Legal	0	0%	0	0%	0	0%	0	0%
Chief Executives	3	50%	2	33%	1	17%	5	83%
TOTAL	37	51%	28	38%	8	11%	41	56%

4.2 Audit Scotland's audit report

This year the external auditor (Audit Scotland) qualified seven indicators. The corporate processes devised and implemented last year aimed to reduce the amount of indicators qualified. These processes appear to be paying dividend as the following indicators were qualified last year but were accepted this year.

- a) Libraries -Indicator 5- Stock turn over
- b) Housing Benefits -Indicator 1 -Gross administration cost per case
- c) Housing Benefits -Indicator 2- Processed within required time
- d) Roads and Lighting - Indicator 3- Traffic lights failure- repair response times

In fact, the auditor believed that the improvements implemented by the above services has resulted in them having well managed robust data collection and management systems for their performance indicators.

4.2.1 Qualified Indicators

a) Indicators that have been qualified for the third time

Audit Scotland has stated that they would look unfavourably on councils who had the same indicators qualified for a third year. The following have been qualified for three years:

- Libraries -Indicator 4-Use of libraries

The reason for qualification according to the auditor is *"the number of library borrowers cannot be relied upon as there is no computerised system to establish active borrowers"*.

- Social Work- Indicator 8-Respite Care

The reason for qualification according to the auditor is *"the council were unable to provide an audit trail to support the figures in the indicator"*.

b) Indicators that have been qualified for the second time

Four of the indicators qualified last year were qualified again this year. These are as follows

- Housing - Indicator 1- Response repairs

There are two reasons for the qualification according to the auditor *"firstly when contractors completed a housing repair they were routinely failing to provide completion times.... The effect of this is a possible overstating of how long it takes to do a repair. Secondly, in respect of 24 and 48-hour repairs, when a job is commissioned on a Friday, the system defaults to a Monday as this is the next working day and does not recognised weekends. ... guidance ...stipulates that response times should be calculated on calendar days and not working days"*.

- Social Work - Indicator 11-13 Social Enquiry / Probation/ Community Service

The reason for the qualification according to the auditor is *"The Council has been unable to provide a complete audit trail to support the figures in the indicator"*.

c) Newly qualified

One indicator was qualified for the first time namely

- Planning- Indicator 2- Planning applications

The reason for the qualification according to the auditor was that the *"...audit identified circumstances where the Council's system would provide inaccurate information"*.

5. IMPROVEMENT ACTIONS

5.1 In relation to qualified performance indicators

a) Libraries -Indicator 4-Use of libraries

It is likely that this indicator will be qualified until all the Council's libraries are on the IT management system which will not be until at least the end of 2003-2004.

b) Other qualified indicators

Services which have had a performance indicator qualified should develop, with the assistance of Corporate Policy a 'Performance Indicator Improvement Plan' which will outline the actions they will take to ensure that the indicator is not qualified next year. The details of these plans should be included in the Department's Service Plan.

5.2 In relation to improving performance

Most services have improved upon last year's performance and in many cases the Council is performing better than the 2000-2001 Scottish average. However, these services should not be complacent, as one of the key principles of Best Value is continuous improvement. Services which have improved should still set higher targets in their service plan and strive for further improvements. Services whose performance has remained unchanged or has deteriorated should develop, with the assistance of Corporate Policy, a 'Performance Indicator Improvement Plan' which will outline the actions they will take to ensure their performance indicators will show an improvement next year. The details of these plans should be included in the Department or Service's Action Plan.

CORPORATE POLICY

For Further Information Contact: Kirsty Jackson-Stark, 01546 604396

**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
8th NOVEMBER 2002**

**PROGRESS REPORT on EXTERNAL AUDIT REPORTS TO COUNCIL FROM
2001/2002**

1. SUMMARY

Internal Audit has prepared a list for all external audit management letters produced by Audit Scotland as the Council's new external auditors. (See Appendix 1). A review regarding the progress made by management in the implementation of external audit recommendations has been performed the results of which are detailed below.

2. RECOMMENDATIONS

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

3. DETAILS

3.1 An external audit management report was received from Audit Scotland entitled Regularity & Governance 2001/2002. A review by Internal Audit as at the 11th October 2002 indicated that out of 9 agreed recommendations 6 have been implemented and 3 remain outstanding. Of these remaining recommendations, 2 have completion dates later in the financial year and for the remaining recommendation a new completion date has been agreed. (See Appendix 2).

3.2 With regard to the above management letters, Internal Audit has accepted management assurances that implementation has taken place. Further testing will be performed as part of the new 3-year audit plan.

4. CONCLUSIONS

Implementation of recommendations will continue to be monitored by Internal Audit as part of the annual audit plan. Those action points remaining to be implemented have been reported to committee with reports provided by the appropriate officials.

5. IMPLICATIONS

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

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

Ian Nisbet
Internal Audit Manager 08Nov2002.
08novprogreport08nov

EXTERNAL AUDIT REPORTS

Audit Scotland	Comments Obtained from Respondents Y/N	Recommendations Outstanding
Management Report Regularity and Governance 2001/02	y	3

ACTION PLAN

APPENDIX 2

Page/ Para Ref	No	Recommendation	Responsible Officer	Action	Date	Update as at 11/10/02
8/10	9	A review of suppliers on the creditors system should be performed. Where appropriate, duplicate entries should be removed. <i>Priority: Medium</i>	A Allan, IT	This has been planned with IT for some considerable time. A project is now underway to remove one-off suppliers. It is presumed that the example referred related to council tax or NDR refunds where a one-time supplier reference is created each time by the interface. There is no practical alternative to this process.	26 September 2002	Revised date End of December 2002
		<i>Main Accounting</i>				

Page/ Para Ref	No	Recommendation	Responsible Officer	Action	Date	Update as at 11/10/02
8/14	10	Year-end meetings to discuss performance against the close down timetable should be documented. <i>Priority: Low</i>	M Miller	None Required Review ongoing process. If there are any deviations from the timetable they will be followed up by a memo. Statutory Deadline is always met and the letter of receipt kept on file.	31 March 2003	31 March 2003
		Payroll				
9/18	12	An updated and comprehensive list of authorised signatories should be maintained and held by the payroll section. <i>Priority: Medium</i>	M Soudan	The payroll section has always held an authorised signatory list. This is updated annually. However, consideration will be given to updating these 6 monthly.	December 2002	December 2002

**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
8th NOVEMBER 2002**

UPDATE REPORT on INTERNAL AUDIT RESOURCES 2002/ 03

1. SUMMARY

At the conclusion of September 2002 a review has been carried out in order to ascertain the true position of Internal Audit in relation to resources and time available against the objectives set out in the annual audit plan for 2002 - 03. The DETAIL section below gives the findings of this review and outlines current projections. The position review will be the subject of ongoing review and reporting to the Audit Committee.

2. RECOMMENDATIONS

2.1 The contents of this report are to be noted.

3. DETAILS

- 3.1 As reported to the Audit Committee in July 2002 the recruitment process has proceeded well in that as at the 15th of July the section became fully staffed. Following completion of recruitment a process has been carried out where audits have been allocated to individual staff members. Each auditor has planned the audits allocated to him or her over the period to the 31st March 2003.
- 3.2 The annual plan as agreed in May 2002 was based on 970 days of full staff complement for the financial year. A re-evaluation of actual staff days available following completion of the recruitment process indicates that the days available for audits will be 805 days. This is a reduction of 165 days.
- 3.3 Using risk ranking, date last audited and in co-operation with Audit Scotland audits have been prioritised. This prioritisation has been used to allocate audits from the available 805 audit days. As a consequence audits totalling 165 days with lower priority cannot be accommodated within the existing audit resources.
- 3.4 The fact that the staff complement was not complete until the middle of July 2002 has identified some savings, which could be used for the buying in of additional services. At this time there is a projected saving of £15,220. Appendix 1 details the difference in audit days and lists the audits to be carried out within the available days.

4. CONCLUSIONS

Following the successful recruitment of staff and the allocation of audits a review of available audit resources against the audit plan was carried out. This has identified a shortfall in the number of audit workdays available. As a result and in conjunction with Audit Scotland an achievable audit plan for the remainder of the financial year has been agreed. The review has also identified a savings amount that would enable the employment of additional resources to concentrate on progressing the lower priority audits.

5. IMPLICATIONS

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

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

Ian Nisbet
Internal Audit Manager November2002.
NovemberprogreportNovember08/2002

APPENDIX 1

Assessment of audit days: 2002-2003 strategic plan

AUDIT WORK	Last audited	Risk ranking 2002 - 03	Original Estimated Audit Days 2002-03	Revised Estimated Audit Days 2002-03
Core financial systems				
Budgetary preparation and control	-	1	20	20
Capital accounting/Fixed Asset Management	-	2	20	20
Cash and income banking	2000/01	2	20	20
Council tax and non-domestic rates	2000/01	2	30	30
Creditor payments	2001/02	2	30	30
Debtor accounts	2001/02	1	20	20
Purchases of equipment and materials	2001/02	2	20	20
Unified benefits system	2001/02	2	50	50
Housing rents	2001/02	1	20	20
General ledger operations	2001/02	2	20	20
Government grants	-	1	20	20
Payroll	2000/01	3	42	42
Purchase ordering and certification	2000/01	3	30	30
Treasury management	-	2	20	20
IT / MIS strategy and controls KPMG	2001/02	-	30	30
Stock taking	2001/02	-	15	15
Section Total			407	407
Non-financial systems / Best Value / VFM				
Transportation and property	-	2, 8	20	20
DLO's	-	1	20	20
Best Value reviews	-	-	30	30
Performance Indicators	2001/02	-	70	70
Performance indicators (PMP)	-	-	33	33
Corporate governance compliance / risk	-	-	30	30
Subtotal non-financial			203	203
Total Actual Direct Audit Time			610	610
Other Audit Time				
Special investigations contingency				
Follow-up external audit management letter points	-	-	20	20
Risk assessment, strategic plan, annual plans	-	-	20	20
Internal audit follow up	-	-	40	40
Section Total			195	195
POSSIBLE CORE AUDIT DEFERMENTS				
1. Capital contracts	2001/02	3	30	
2. Tendering procedures	2001/02	3	20	
3. Car allowances	2001/02	3	20	
Total			70	
POSSIBLE NON CORE DEFERMENTS				
4. DSO's	-	4, 7, 9	35	
5. Education	-	3, 4, 11	40	
6. Development and environmental services	-	3, 6	20	
Total			95	
Section Total			165	
Total			970	805

**ARGYLL & BUTE COUNCIL
FINANCE**

**AUDIT COMMITTEE
8th NOVEMBER 2002**

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2002 - 2003

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit during the second quarter of 2002 – 03. The objective of the report is to advise members of the progress with the audit plan. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The Committee is asked to approve the progress made with the annual audit plan for 2002 - 03.

3. BACKGROUND

3.1 The progress report contained in Appendix 1, lists the audits scheduled for the financial year 2002 –2003. The objective is to advise members of the progress with this years audit plan.

3.2 Good progress has been made in general with all audits. Of the 16 core audits 9 have been progressed as at the end of the 2nd quarter. Out of the 9 areas 5 final audit reports have been issued.

3.3 Good progress has also been made with non-core audits. Out of a total of 6 audit areas 4 have been progressed and 3 final reports issued.

3.4 Within the special investigation and contingency section further audit work has been performed in the second quarter where 2 further special investigations were carried out. Additional work for the Chief Executive has been carried involving the Capital Programme, which is due to be reported on in November. (See Appendix 1).

3.5 Follow-up work has been covered for both internal and external audit management reports. The reviews carried out for the external audit reports are the subject of separate reports to the Audit Committee.

4. SUMMARY OF 2nd QUARTER AUDIT ACTIVITIES FOR 2002 - 2003

4.1 Members of the audit team attended the CIPFA Scottish Audit Conference in September where updates were obtained on emerging issues. Both members found the conference worthwhile.

5. CONCLUSION

Progress is being made on audits planned for 2002 – 03.

6. IMPLICATIONS

- | | | |
|-----|----------------------|---|
| 5.1 | Policy: | Update on audit plan for 2002 – 03. |
| 5.2 | Financial: | The audit plan is based on existing budgeted provision. |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |

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

Ian Nisbet
Internal Audit Manager 08Nov2002.
08novprogreport08nov

Appendix 1

Assessment of audit days: 2002-2003 strategic plan

AUDIT WORK	Last audited	Risk ranking 2002 - 03	Original Estimated Audit Days 2002-03	Revised Estimated Audit Days 2002-03	Actual Audit Days 2002-03	Out Come Days for Internal Audit
Core financial systems						
Budgetary preparation and control	-	1	20	20		20
Capital accounting/Fixed Asset Management	-	2	20	20	23	-3
Cash and income banking	2000/01	2	20	20	26	-6
Council tax and non-domestic rates	2000/01	2	30	30	24	6
Creditor payments	2001/02	2	30	30		30
Debtor accounts	2001/02	1	20	20		20
Purchases of equipment and materials	2001/02	2	20	20	5	15
Unified benefits system	2001/02	2	50	50	20	30
Housing rents	2001/02	1	20	20	3	17
General ledger operations	2001/02	2	20	20		20
Government grants	-	1	20	20		20
Payroll	2000/01	3	42	42	4	38
Purchase ordering and certification	2000/01	3	30	30		30
Treasury management	-	2	20	20	3	17
Stock taking	2001/02	-	15	15	20	-5
IT / MIS strategy and controls KPMG	2001/02	-	30	30	15	15
Subtotal core financial systems			407	407	143	264
Section Total			407	407	143	264
Non-financial systems / Best Value / VFM						
Transportation and property	-	2, 8	20	20		20
DLO's	-	1	20	20	21	-1
Best Value reviews	-	-	30	30	10	20
Performance Indicators	2001/02	-	70	70	84	-14
Performance indicators (PMP)	-	-	33	33	28	5
Corporate governance compliance / risk	-	-	30	30		30
Subtotal non-financial			203	203	143	60
Section Total			203	203	143	60
Actual Direct Audit Time			610	610	286	324
Special investigations contingency						
Capital Programme	-	-	115			115
Victoria Hall					2	-2
Housing					3	-3
Vehicle leasing – special investigation	2001/02	-			2	-2
Contractor Liquidation - DES					24	-24
Chief Execs					2	-2
Dunoon Pool					3	-3
Corporate Accounting					11	-11
Benefit Fraud					13	-13
					28	-28
Section Total			115	115	88	27
Follow-up external audit management letter points						
	-	-	20	20	21	-1
Risk assessment, strategic plan, annual plans						
	-	-	20	20	0	20
Internal audit follow up						
Parking Piers & Ferries Income	2001/02	-	40	40		40
Capital Accounting	2001/02	-			1	-1
Creditor Payments	2001/02	-			3	-3
					1	-1
Section Total			40		5	35
POSSIBLE DEFERMENTS						
Core financial systems						
1. Capital contracts	2001/02	3	30			
2. Tendering procedures	2001/02	3	20			
3. Car allowances	2001/02	3	20			
Total			70			
Non-financial systems / Best Value / VFM						
4. DSO's	-	4, 7, 9	35			
5. Education	-	3, 4, 11	40			
6. Development and environmental services	-	3, 6	20			
Total			95			
Section Total			165			
Admin					75	-75
Total			970	805	475	330

ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE
STANDARDS COMMITTEE****CORPORATE AND LEGAL SERVICES****OCTOBER/
NOVEMBER 2002**

LOCAL CODE OF CORPORATE GOVERNANCE

1. SUMMARY

- 1.1 It will be recalled that earlier this year the Council adopted a Local Code of Corporate Governance. The Code which was adopted is contained in columns A, B and C of the Appendix to this report.
- 1.2 Column D to the Appendix contains a list of Action Points to give practical effect to the requirements of the Code, showing actions required further on an ongoing/continuous basis or at given times by those designated in column D.
- 1.3 The Council's Management Team has now endorsed the action points now required.

2. RECOMMENDATION

- 2.1 The Audit Committee and Standards Committee are requested to note the Appendix action points.
- 2.2 A number of the actions in column D are ones which are required to take place for the first time. Thereafter, column D will require a further review next year in order to take forward on a regular basis those actions which are first time ones.

Nigel Stewart
Director of Corporate and Legal Services

21 August 2002

(Notes 1316 Val)

COMMUNITY FOCUS

	A	B	C	D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance	Action Points
1	<p>Publish on a timely basis an annual report presenting an objective, understandable account of the authority's:</p> <ul style="list-style-type: none"> • Activities and achievements • Financial position and performance • Improvement targets 	<ol style="list-style-type: none"> 1. Annual report / public performance report 2. Annual plan / service plan(s) 3. Annual accounts 	<ol style="list-style-type: none"> 1. Publication by target date of an annual report / public performance report that sets out activities and achievements of previous year 2. Publication by target date of an annual plan / service plan(s) that sets out targets and initiatives for year ahead 3. Publication by target date of annual accounts that set out the financial position and performance 	<p>B/C1 PPR Report – target date August (A Bovaird)</p> <p>B/C2 Annual Plan/Service Plans – end March (A Bovaird)</p> <p>B/C3 Annual Accounts – end June (S McGregor)</p>
2	<p>Publish on a timely basis a performance plan presenting an objective, balanced and understandable account and assessment of the authority's:</p> <ul style="list-style-type: none"> • Current performance in service delivery • Plans to maintain and improve service Quarterly • 	<ol style="list-style-type: none"> 1. Annual plan / service plan(s) 	<ol style="list-style-type: none"> 1. Publication by target date of an annual plan / service plan(s) that reports on current performance and sets performance targets for the year ahead 	<p>B/C1 Annual Plan/Service Plans – end March (A Bovaird)</p>
3	<p>Put in place proper arrangements for the independent review of financial and operational reporting processes</p>	<ol style="list-style-type: none"> 1. Audit Committee to oversee the action plans derived from External Audit reports 2. Independent reviews by Internal Audit 3. Independent reviews by assessors 	<ol style="list-style-type: none"> 1. Minutes of Audit Committee meetings 2. Production of Annual Audit Plan by 31 March of preceding fiscal year including a statement of compliance and rollover from 	<p>B/C1 External Audit reports to Audit Committee on ongoing basis (I Nisbet)</p> <p>B/C2 Minutes ongoing basis (N Stewart)</p> <p>B/C2 Annual Audit Plan – end March (I</p>

		<p>such as Charter Mark and Investors in People (IIP)</p> <p>4. Government Inspectorates – e.g Housing, Social Work, Community Education, Schools and Benefits (Fraud)</p> <p>5. Best Value Regime - Service and Strategic Reviews</p> <p>6. Performance information made available within the Council</p>	<p>the previous year's plan</p> <p>3. Record of visits and reports by assessors and awards received</p> <p>4. Record of visits and reports produced by Inspectorates</p> <p>5. Compliance with Best Value Regime programme of Reviews</p> <p>6. Verification that performance information is current</p>	<p>C3,4</p> <p>C5</p> <p>C6</p>	<p>Nisbet)</p> <p>Include in Quarterly Performance Reports (All Directors)</p> <p>½ yearly report on Scrutiny and Strategic Services to MT (A Bovaird)</p> <p>Include in Quarterly Performance Reports (All Directors)</p> <p>Include in Budget Meeting Reports (All Directors)</p> <p>Include in Annual Performance Information (A Bovaird)</p>
--	--	--	--	--	--

COMMUNITY FOCUS (continued)

	A	B	C	D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance	Action Points
4	Put in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to and participate in the work of the authority and put in place appropriate monitoring processes to ensure that they continue to work in practice	<ol style="list-style-type: none"> 1. Citizens Panel, Community Planning forums and other citizen consultation 2. Citizen's Charter accreditation - includes customer consultation and involvement. 3. External stakeholder involvement in service planning and reviews 	<ol style="list-style-type: none"> 1. Production of consultation programme for citizens and customers by 31 March of preceding fiscal year including a statement of compliance and rollover from the previous year's plan 2. Annual production of schedule of new and renewed Charter Marks 3. Service planning and review documentation including details of external stakeholders consulted 	<p>Through Community Planning Partnership (A Bovaird)</p> <p>At present not systematic – Bob Millar to review (R Millar)</p> <p>Pick up through 1/2 yearly report on Scrutiny/Strategic Reviews (A Bovaird)</p>
5	Make an explicit commitment to openness, in all of their dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so, and by their actions and communications deliver an account against that commitment	<ol style="list-style-type: none"> 1. Council value – openness approved as a Council value 2. Committee agendas and minutes and standards and performance information 	<ol style="list-style-type: none"> 1. Inclusion of openness value in appropriate Council publications 2. Publication within agreed timescales of a full set of agendas and minutes – verification by content management 3. Full year performance information available 	<p>Ongoing/continuous (all Directors)</p> <p>Ongoing/Continuous (N Stewart)</p> <p>Annual Performance Information (A Bovaird)</p> <p>Quarterly Performance Reports (All Directors)</p>

6	Establish clear channels of communication with all sections of their community and other stakeholders, and put in place proper monitoring arrangements to ensure that they operate effectively	<ol style="list-style-type: none"> 1. Communications strategy approved 2. Identification by each service of stakeholders, and means of consultation and communication with each stakeholder – PMP best practice 3. Website 	<ol style="list-style-type: none"> 1. Regular review of communications strategy with revisions as necessary 2. Implementation of a rolling programme of PMP audit 3. Monitoring on an annual basis of volume of contacts via the Website 	<p>B/C1</p> <p>B2</p> <p>C2</p> <p>C3</p>	<p>Communications Strategy Target date Nov 2002; regular review each November (L Syed)</p> <p>Done through Service Planning process</p> <p>Ongoing/continuous (All Directors)</p> <p>Each November (L syed)</p>
7	Ensure that a vision for their local communities and their strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	<ol style="list-style-type: none"> 1. Community Plan produced in conjunction with local partners in public services, the private sector, voluntary sector and communities. Inclusion of targets and challenges in the plan 	<ol style="list-style-type: none"> 1. Widespread circulation of Community Plan; Implementation of a consultation programme <p>Review of progress against the Community Plan targets. Regular reporting of review outcomes; Report annually on performance</p>	<p>B/C1</p>	<p>Process built into Community Plan process (A Bovaird)</p>

SERVICE DELIVERY ARRANGEMENTS

	A	B	C		D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance		Action Points
8	Set standards and targets for performance in delivery of services on a sustainable basis and with reference to eQuarterly policies	<ol style="list-style-type: none"> 1. Annual service plans setting out performance targets for the year ahead 2. A guide to Council services (A-Z) containing standards for all services 3. Corporate strategy on mainstreaming eQuarterly / service action plans on eQuarterly 	<ol style="list-style-type: none"> 1. Publication of agreed service plans 2. Maintenance of guide to Council services 3. Report annually on adherence to Corporate Strategy. Monitoring of service action plans by service management 	<p>B/C1</p> <p>B/C2</p> <p>B/C3</p>	<p>Action already covered at 1B/C2 above</p> <p>A-Z being updated on Website currently (but does it include Standards?)</p> <p>Include in Quarterly Performance Reports (All Directors)</p>

9	Put in place sound systems for providing management information for performance measurement purposes	<ol style="list-style-type: none"> 1. Regular reporting against service plans 2. Publication of Statutory performance indicators (SPI's) on an annual basis 	<ol style="list-style-type: none"> 1. Record of relevant reports 2. SPI's audited and published by agreed deadline 	B/C1	Include Performance Reports (All Directors) September (A Bovaird)
10	Monitor and report performance against agreed standards and targets and develop comprehensive and understandable performance plans	<ol style="list-style-type: none"> 1. Annual plan 2. Service Standards made available for each service 3. Monitoring of performance against targets 4. Scrutiny by appropriate Committee(s) 	<ol style="list-style-type: none"> 1. Publication by target date of annual plan 2. Record of process by which service standards are made available 3. Relevant monitoring documentation 4. Agendas and minutes for reports to the appropriate Committee 	B/C1 B2 C2 B/C3 C4	Annual Plan – end March (A Bovaird) Make available through Website/Service Plans (All and L Syed) Annual Report (A Bovaird) All Directors Available on ongoing basis (N Stewart)
11	Put in place arrangements to allocate resources according to priorities	<ol style="list-style-type: none"> 1. Three year budgeting process 2. Service planning process 	<ol style="list-style-type: none"> 1 and 2: Documentation showing budgets are allocated according to priorities 	B1+2 C1+2	In place Demonstrated by reports to Committees/Council and Minutes
12	Foster effective relationships and partnerships with other public sector agencies and the private and voluntary sectors. Consider outsourcing where it is efficient and effective to do so, in delivering services to meet the needs of the local community, and put in place processes to ensure that they operate effectively in practice.	<ol style="list-style-type: none"> 1. Council Value – approve 'working in partnership' as a Council value 2. Schedule of partnerships and outsourcing / local outcome agreements 3. Best Value Reviews 	<ol style="list-style-type: none"> 1. Inclusion of value in appropriate Council publications 2. Maintenance of an up to date schedule of partnerships / local outcome agreements 3. Maintenance of a schedule of Best Value Reviews including outcomes 	B1 C1 B/C2 C3	In place Continuous (All Directors) Will be a product of Partnership Review (A Bovaird) Include in Quarterly Performance Reports and ½ yearly report (All and A Bovaird)
13	Respond positively to the findings and recommendations of external auditors and statutory inspectors and put in place arrangements for the effective implementation of agreed actions	<ol style="list-style-type: none"> 1. Inclusion of agreed elements of an action plan, derived from the findings of external auditors and statutory inspectors, in service plan initiatives 2. Audit action plans / inspectorate reports 3. Scrutiny by appropriate Committee(s) 	<ol style="list-style-type: none"> 1. Sample evidence of service plans including such initiatives 2. Record of audit action plans / inspectorate reports 3. Agendas and minutes of reports to the appropriate Committee(s) 	B1 C1 B/C2 B3 C3	All Directors Internal Audit Internal Audit All Directors in reports to Committee N Stewart

STRUCTURES AND PROCESSES**Balance of Power and Authority**

	A		B		C		D		
	Requirement of Corporate Governance Framework		Criteria as evidence of meeting requirement		Demonstration of annual compliance		Action Points		
14	Put in place clearly documented protocols governing relationships between members and officers		1. Protocol in place 2. Code of Conduct for Members and Officers		1. Review of protocol as necessary 2. Continuous review of code of conduct		B1 C1 B2 C2		Protocol in place Review by Standards Committee Autumn 2002 (N Stewart) In place Review by Standards Committee Autumn 2002 (N Stewart)
15	Ensure the relative roles and responsibilities of executive and other members and senior officers are clearly defined		1. Political management structure is clear and effective and approved by Scottish Executive's Leadership Advisory Panel 2. Terms of reference for Committee administration 3. Standing Orders contain clear scheme of Delegation to Committees and define role of Councillors in decision making process 4. Committee Reports that clearly set out decisions required of members 5. Council Minutes records decisions effectively 6. Contract of employment (for Officers)/ job outline (for Members)		1 to 3: Regular review and update as required 4. Committee reports comply with the standard format 5. Full record of committee minutes 6. Job outlines reviewed and updated to reflect changes		B1-3 C1-3 B/C4 B/C5 B6 C6		Yes Review Post 2003 Elections (JMCL/NS/SPC/Standards Committee) All Directors N Stewart For Officers – Yes (subject to Job Evaluation) For Members – Yes (Spokesperson to be developed) (JMCL/NS) Officers – All Directors Members JMCL/NS/SPC/Standards Committee post 2003 Elections –

Roles and Responsibilities – Members

	A	B	C	D
16	Ensure that members meet on a formal basis regularly to set the strategic direction of the authority and monitor service delivery	<ol style="list-style-type: none"> Schedule of main Council and committee meetings Committee remits focusing on strategic decisions and performance monitoring. Performance and Management System (PMS) 	<ol style="list-style-type: none"> Annual statement in accounts reflecting position Agendas that separately identify decisions for executive decision and items for information, continuous series of committee minutes Continuous review of PMS 	Yes Include statement in annual report Yes Continuous series of Committee Minutes – yes (N Stewart) Agendas do not currently separately identify but inherent in reports. Done through Service Plans/Quarterly Performance Reports
			<ol style="list-style-type: none"> B1 C1 B2 C2 	B/C3

STRUCTURES AND PROCESSES (continued)

Roles and Responsibilities – Members (continued)

	A	B	C	D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance	Action Points
17	Develop and maintain a scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the collective decision of the authority	<ol style="list-style-type: none"> Effective and clear scheme of delegation in place, including a formal section identifying matters reserved to Council, i.e not delegated 	<ol style="list-style-type: none"> Regular review of the scheme of delegation 	In place Review post 2003 Elections – updates as required (N Stewart)

18	Put in place clearly documented and understood management processes for policy development, implementation and review and for decision making, monitoring and control, and reporting; and formal procedural and financial regulations to govern the conduct of an authority's business	<ol style="list-style-type: none"> Budgeting / service planning process Clear management processes to ensure compliance with Standing Orders and Scheme of Delegation, and Financial Regulations 	<ol style="list-style-type: none"> Budgeting / service planning process followed for setting the budget Regular review of Standing Orders and Financial Regulations 	<p>B1 C1</p> <p>B2</p> <p>C2</p>	In place All Directors/All Councillors up to and at February budget meeting N Stewart/ Nisbet/Audit Committee/Standards Committee Review post 2003 elections – updates as required (N Stewart)
19	Put in place arrangements to ensure members are properly trained for their roles and have access to all relevant information, advice and resources as necessary to enable them to carry out their roles effectively	<ol style="list-style-type: none"> Members' Induction Scheme in place Training Plan for members in place including training for Chairs and regular update sessions Requirement on Members to undergo training Access to relevant information Access to appropriate officers 	<ol style="list-style-type: none"> Annual review of induction scheme and training plan Record of training undertaken by members Confirmation by members that appropriate information and support has been provided 	<p>B1+2 C1+2</p> <p>B/C3</p> <p>B/C4+ 5</p>	Being revised for post 2003 Elections (Group led by C Reppke) Standards Committee to consider including in ABC Local Code of Conduct (N Stewart/Standards Committee) Thereafter Councillors Training Plan to provide for recording (C Reppke's Group to develop) Training Plan to make provision for this (C Reppke's Group to develop)
20	Ensure that role of the executive members(s) is/are formally defined in writing, to include responsibility for providing effective strategic leadership and for ensuring the authority successfully discharges its overall responsibility.	1. Scheme of delegation	1. Regular review of the scheme of delegation	<p>B1</p> <p>C1</p>	Develop "Job Outline" for Spokesperson for post 2003 Elections (JMCL/NS/SPC/Standards Committee End March/April (N Stewart/SPC/Council)
21	Ensure that the roles and responsibilities of all Members of the authority, together with the terms of their remuneration and its review, are defined clearly in writing	<ol style="list-style-type: none"> Members' Allowance Scheme in place Public notification of allowances 	<ol style="list-style-type: none"> Members' Allowance Scheme reviewed annually by Committee Allowances appropriately advertised 	<p>B1 C1</p> <p>B/C2</p>	In place In place – Council budget meeting In place – advertised May/June each year (S McGregor/N Stewart)

STRUCTURES AND PROCESSES (continued)

Roles and Responsibilities – Officers

	A	B	C	D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance	Action Points
22	Ensure that the chief executive or equivalent is made responsible to the authority for all aspects of operational management	<ol style="list-style-type: none"> Chief Executive appointed Head of Paid Service under the terms of Local Government and Housing Act 1989 Contract of Employment of Chief Executive (including job description / person specification) and Scheme of Delegation reflect 1 above Council wide Performance Management System in place 	<ol style="list-style-type: none"> Annual statement of compliance Regular review with updates as necessary Record of performance management documentation 	<p>B1 C1</p> <p>B2 C2 B3 C3</p> <p>In place Unless no change, annual compliance assumed In place Review as necessary Yes PDR system All Directors</p>

<p>23</p>	<p>Ensure that a senior officer is made responsible to the authority for ensuring that appropriate advice is given on financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control</p>	<p>1. Director of Finance or equivalent appointed as Proper Officer under S95 of the Local Government (Scotland) Act 1973 2. Contract of Employment (including job descriptions / person specification) and Scheme of Delegation reflect 1 above 3. Council wide financial and budget performance system in place which enables the Director of Finance or equivalent to monitor and report regularly during financial year 4. Annual accounts produced within required deadline and certified without qualification</p>	<p>1. Annual statement of compliance 2. Regular review with updates as necessary 3. Regular reports to committee on projected position and annual report on the draft accounts 4. Publication by target date of annual accounts that set out the financial position and performance</p>	<p>B1 C1 B2 C2 B3 C3 B4 C4</p>	<p>In place Unless no change, annual compliance assumed In place Review as necessary In place Quarterly Budget Meeting (All Dirs and S McGregor) Target Yes (S McGregor)</p>
------------------	---	---	--	---	---

STRUCTURES AND PROCESSES (continued)**Roles and Responsibilities – Officers (continued)**

	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance		Action Points
24	Ensure that a senior officer is made responsible to the authority that agreed procedures are followed and that all applicable statutes and regulations and other relevant statements of good practice are complied with	<ol style="list-style-type: none"> Director of Administration or equivalent appointed as Monitoring Officer under S5 of Local Government and Housing Act 1989 Contract of Employment (including job description/person specification) and Scheme of Delegation reflect 1 above 	<ol style="list-style-type: none"> Annual statement of compliance Regular review with updates as necessary 	<p>B1 C1</p> <p>B2 C2</p>	<p>In place Unless no change annual compliance assumed In place Review as necessary</p>
25	Ensure the roles and responsibilities of all senior officers, together with the terms of their remuneration and its review, are clearly defined in writing	<ol style="list-style-type: none"> Clear remits set out in Scheme of Delegation to officers Clear policy decisions of Council setting levels of salary Contract of employment / job descriptions Disclosure of officer emoluments (collectively) in annual accounts 	<ol style="list-style-type: none"> 1 to 3:Regular review with updates as necessary 4. Relevant section in the annual accounts 	<p>B1 C1</p> <p>B2 C2</p> <p>B3 C3</p> <p>B4 C4</p>	<p>In place Review post 2003 Elections – updates as necessary (N Stewart) In place Salary revisals as per national agreements In place Reviewed as necessary In place Include in annual accounts (S McGregor)</p>

26	Adopt clear protocols and codes of conduct to ensure that the implications for supporting community political leadership for the whole Council are acknowledged and resolved	1. Protocol governing Member / Officer relations 2. Code of Conduct	1 and 2: Annual statement of compliance	B1 C1 & 2 B2	In place Standards Committee each April/May (N Stewart) In place
-----------	--	--	---	---	--

RISK MANAGEMENT AND INTERNAL CONTROL

	A	B	C		D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance		Action Points
27	Develop and maintain robust systems for identifying and evaluating all significant risks, which involve the pro-active participation of all those associated with planning and delivering services	<ol style="list-style-type: none"> 1. Risk management protocol 2. Scrutiny by appropriate Committee 3. Performance management system 4. Financial regulations or Scheme of Delegations stipulate the Officer(s) responsible for developing and co-ordinating a risk management policy 5. Service planning template 6. Internal audit plan 	<ol style="list-style-type: none"> 1. Risk management group annual report 2. Record of committee agendas and minutes 3. Performance management system in place 4. Risk management policy and strategy in place 5. Service plans produced by target date 6. Internal audit plan produced by target date 	B/C1 B/C2 B/C3 B/C4 B/C5 B/C6	Risk Management Group to review and report (V MacDonald) Reports from RMG to Audit Committee on ongoing basis (V MacDonald) Risk Management Group to review and report (V MacDonald) Risk Management Group to review and report (V MacDonald) Risk Management Group to review and report (V MacDonald) Internal Audit

<p>28</p>	<p>Put in place effective risk management systems including systems of internal control and an internal audit function. These arrangements need to ensure compliance with all applicable statutes, regulations and relevant statements of best practice and need to ensure that public funds are properly safeguarded and are used economically, efficiently and effectively, and in accordance with the statutory and other authorities that govern their use</p>	<ol style="list-style-type: none"> 1. Scheme of delegation 2. Internal audit protocol 3. Performance management system 4. Financial regulations 5. Treasury management policy 6. Fraud policy 7. Efficiency reviews 8. Effective inter-face between internal audit and risk management 9. Best value reviews 10. Internal control framework 11. CIPFA Audit Code 12. Health and Safety Policy 	<ol style="list-style-type: none"> 1. Regular review 2. Regular review 3. Performance management system in place 4. Regular review 5. Annual statement of compliance 6. Annual statement of compliance 7. Record of efficiency reviews 8. Internal audit plan 9. Record of best value reviews 10. Annual statement of compliance 11. Compliance with CIPFA Code 12. Annual statement of compliance 	<p>B1 C1 B2 C2 B/C3 B4 C4 B5 C5 B6 C6 B7 C7 B8 C8 B9 C9 B10 C10 B11 C11 B12 C12</p>	<p>In place Review post 2003 Elections (N Stewart) In place (Terms of Reference for Internal Audit Internal Audit/Audit Committee In place In place Review post 2003 Elections and update as necessary (S McGregor/N Stewart) In place S McGregor In place Internal Audit In place Include in Quarterly Performance Reports (All Directors) Internal Audit will be part of Risk Management Group Internal Audit In place ½ yearly report (A Bovaird) In place Audit Committee April/May In place Internal Audit reporting to Audit Committee ongoing In place Corp H&S/RMG report to Audit Committee (L Collins/V MacDonald)</p>
------------------	--	---	--	---	--

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

A		B	C	D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance	Action Points
29	Ensure that services are delivered by trained and experienced people	<ol style="list-style-type: none"> 1. Job descriptions and person specifications 2. Training plan 3. Recruitment procedures 4. Investors in People (IIP) Status 5. Performance Management and Development Planning 	<ol style="list-style-type: none"> 1. Job descriptions and person specifications for all staff 2. Record of implementation of training plan 3. Appropriate criteria used for recruitment 4. IIP status retained 5. Appropriate documentation 	<p>C1 C2 C3 C4 C5</p> <p>In place Training Records maintained for all employees Corporate procedures in place Only Personnel Services have IIP status In place</p>
30	Put in place effective arrangements for an objective review of risk management and internal control, including internal audit	<ol style="list-style-type: none"> 1. Performance management system 2. Reports to Corporate Management Team or equivalent 3. Reports to Audit Committee or equivalent 4. External audit / risk assessments 	<ol style="list-style-type: none"> 1. Performance management system in place 2. Record of reports 3. Record of reports 4. Record of assessments 	<p>B/C1-3</p> <p>B/C4</p> <p>Risk Management Group or Internal Audit reports to Management Team and Audit Committee on ongoing basis and records in minutes (V MacDonald/I Nisbet) External Audit reports/assessments will be reported through External Audit Management Letter or letter to Members or otherwise to MT/ Audit Committee and records in minutes.</p>
31	Maintain an objective and professional relationship with external auditors and statutory inspectors	<ol style="list-style-type: none"> 1. Annual audit letter and other audit reports 2. Regular meetings between External and Internal Audit to co-ordinate work plans 3. Liaison between Finance Services and external audit throughout the year, and particularly during the audit of the final accounts 4. Inspection reports 	<ol style="list-style-type: none"> 1. Audit reports completed during year 2. Record of meetings 3. Record of meetings 4. Inspection reports completed during year 	<p>B1 C1</p> <p>B/C2 B3 C3</p> <p>In place External Audit reports to Management Team/Audit Committee during the year In place (I Nisbet) In place In place for sign-off meeting (S McGregor)</p>

<p>32</p>	<p>Publish on a timely basis, within the annual report, an objective, balanced and understandable assessment of the authority's risk management and internal control mechanisms and their effectiveness in practice</p>	<p>1. Annual report statement of compliance. 2. External auditor audit certificate</p>	<p>1. Publication of annual report including a statement of compliance 2. Audit certificate</p>	<p>B/C1& 2</p>	<p>Finance report to Council (S McGregor). Internal Audit report compliance to Audit Committee (I Nisbet)</p>
------------------	---	--	---	------------------------	---

STANDARDS OF CONDUCT

	A	B	C	D
	Requirement of Corporate Governance Framework	Criteria as evidence of meeting requirement	Demonstration of annual compliance	Action Points
33	Develop and adopt formal codes of conduct defining the standards of personal behaviour, to which individual members, officers, and agents of the authority are required to subscribe and put in place appropriate systems and processes to ensure that they are complied with in practice	<ol style="list-style-type: none"> National Code of Conduct for Councillors in force Local Code of Conduct for Councillors in force Guide to effective working relationships between Councillors and Officers in force Code of Conduct for Employees in force Anti Fraud and Corruption Policy in force Council wide complaints procedure in place Discipline / Grievance Code in place Scrutiny by Standards Committee 	<ol style="list-style-type: none"> 1, 2 and 3: Regular review and update as required Annual audit of registers kept by Directors or equivalent Regular review and annual statement of compliance Regular review Regular review and annual statement of compliance Reports/Minutes to the Standards Committee 	<p>In place (6 under review) Will be reviewed by Standards Committee (NS/Standards Committee) Register of Interests by Officers being developed (N Stewart) Internal Audit to Audit Committee Regular Review (J Swanson) D Longwill J Swanson/D Longwill to SPC N Stewart to Standards Committee</p>
34	Put in place arrangements to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with stakeholders	<ol style="list-style-type: none"> Standing Orders in force dealing with those issues Codes of Conduct for Councillors and Officers in force Financial Regulations in force dealing with those issues Policy on EQuarterly in Service Provision in force Register of Interests Documented procedures 	<ol style="list-style-type: none"> 1. Regular review 2. Regular review 3. Financial regulations reviewed every two years and updated as required. 4. Annual Review and update of Action Plan and Audit Check 5. Audit of register of interests. 6. Review of procedures 	<p>In place N Stewart/Standards Committee In place N Stewart/Standards Committee In place Will be reviewed post 2003 Elections and updated as necessary (N Stewart/S MacGregor) Being developed (A Bovaird) In place Register maintained by N Stewart/ audited by External Audit</p>

35	Put in place arrangements to ensure procedures and operations are designed in accordance with appropriate ethical standards	1. Arrangements in place to identify appropriate ethical standards including Section 1 of Ethical Standards in Public Life in Scotland 2000	1. Regular review of arrangements	B1 C1	In place Annual Review by Standards Committee (N Stewart/Standards Committee)
	Put in place arrangements for whistle blowing to which staff and all those contacting the Council have access	1. Public Interest Disclosure Policy ("Whistle blowing policy") in place	1. Regular review of the policy	B1 C1	In place Annual Review by Standards Committee (N Stewart/Standards Committee)

(reports –Corporate Governance august 2002)

ARGYLL AND BUTE COUNCIL**AUDIT COMMITTEE****CORPORATE AND LEGAL SERVICES****8 NOVEMBER 2002**

AUDIT COMMITTEE: FUTURE ARRANGEMENTS

1. SUMMARY

- 1.1 This is the last scheduled meeting of the Audit Committee in the current programme of meetings approved by the Council. There is a need to look forward to the period up to and beyond the Council elections in May 2003.

2. RECOMMENDATIONS

- 2.1 The Committee is invited to fix Friday 21 February 2003 as the date for the next meeting, and to note that a further meeting will be required around late May 2003.
- 2.2 The Committee is invited to consider the matters raised in paragraphs 3.3 – 3.8 and make recommendations to the Council.

3. DETAIL

- 3.1 The Audit Committee will require to consider the External Audit Letter to Members in the New Year. The intention is also to provide that meeting with an update on Internal Audit progress. It is proposed that there should be a meeting of the Audit Committee on Friday 21 February 2003.
- 3.2 By virtue of the requirement of the Council's Code of Corporate Governance, it is envisaged there will be a requirement for the Audit Committee to meet around the end of May 2003. It is not necessary to fix that date immediately now, but it is necessary to consider recommendations which the Audit Committee might wish to offer to the Council for the period following the elections.
- 3.3 All of the Council's political management arrangements fall to be reviewed and put in place following the elections in May 2003. In common with the Standards Committee, the Council decided that both Standards and Audit Committees should have within their membership two independent persons. The appointments of the independent persons, which were made following a process of public advertisement and recruitment, subsist until the elections in 2003.

- 3.4 There will inevitably be a gap following the elections while a similar recruitment exercise is undertaken. That gap will come at a difficult time in relation to the ongoing work of both Committees, and consideration should be given whether to make a recommendation that the period of appointment of the current independent members should be extended for a period after the elections to enable the recruitment process to proceed without the gap to which I refer.
- 3.5 The Standards Committee considered this matter at its last meeting and has agreed to recommend to the Council that the period of appointment of the independent members on that Committee should be extended for one year beyond the ordinary elections for two reasons –
- To provide continuity, both following this election and future elections, while new Councillor members of the Committee are appointed and become established; and
 - To allow for the recruitment process of independent members avoiding the gap immediately following the elections.

The Committee took the view that this period was right (in preference to a situation that the independent members should be appointed for four years at the half-term of the four year life of the Council) because it best served the two issues of providing continuity while at the same time allowing the new Council to appoint the independent members at a reasonably early period in the life of the new Council.

- 3.6 The basis of appointment of the independent persons also needs to be reviewed as to whether they remain satisfactory or would benefit from any amendment. The following questions were considered by the Standards Committee –
- (1) Should it be possible (or not) for the independent members to serve for more than one term?
 - (2) Should the disqualifications for appointment of independent members include provisions that –
 - a person cannot be appointed who has ceased to be a Councillor of this Council within the last 12 months?
 - a person cannot be appointed who is a relative or a close friend of a current Councillor of this Council or of a person who has ceased to be one in the last 12 months?

- 3.7 In relation to the first of those questions the Standards Committee have expressed the view that there should not be a prohibition on the independent members serving for more than one term. Obviously it is a matter for those independent members to decide for themselves whether to offer themselves for such re-appointment.

In relation to the second question the Standards Committee are recommending to the Council -

- (1) a person should not be appointed as an independent member who has been a Councillor of this Council and they ceased to be a Councillor on the day of the preceding ordinary elections; and
 - (2) a person should not be appointed as an independent member who is a relative or close friend of a current Councillor of this Council or of a person who has been a Councillor of this Council and they ceased to be a Councillor on the day of the preceding ordinary election.
- 3.8 The Audit Committee is invited to consider those matters also, and make recommendations to the Council.

Nigel Stewart
Director of Corporate and Legal Services

31 October 2002

(Notes 1353 Val)

