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# 1. Executive Summary – Prudential Code

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## Introduction

- 1.1 We conduct our audit in accordance with Audit Scotland's Code of Practice. The Code makes clear that it is the responsibility of management to ensure that internal control systems are appropriate.
- 1.2 Interim audit activity, is largely concerned with undertaking reviews of selected systems. Our approach in 2003/2004 sought to obtain assurance, by systems review and testing, together with discussion with officers, as to the existence and effectiveness of a number of controls considered essential to ensure that reliance could be placed on the operation of the identified systems.
- 1.3 This report summarises the findings from our audit work and, where appropriate, makes recommendations to strengthen existing controls or otherwise address any identified weaknesses. It should be noted that the weaknesses recorded are only those which came to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses that may exist.
- 1.4 Our review covered the Council's arrangements in complying with the Prudential Code of Practice for Capital Finance in Local Authorities.

## Summary of Main Findings

- 1.5 Argyll & Bute Council has made progress in setting its Prudential Indicators, revising the capital programme and agreeing its Treasury Management Strategy.
- 1.6 To comply with the relevant governance requirements however, the Council requires to amend its financial regulations, scheme of delegation and risk management strategy.
- 1.7 The Council also requires to develop an asset management planning system, incorporating an appropriate system of options appraisal.
- 1.8 Monitoring procedures for prudential indicators have been identified and it is expected that these will be introduced during 2004/2005.
- 1.9 The draft Prudential Indicators submitted to the Council on 12 February 2004 contained a number of errors. These have since been revised, following audit review, and resubmitted to the Council on 31 March 2004, when the capital programme was considered and approved.

## 2. Action Plan

No	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
1	The Council is to bring forward measures to accommodate projects now classified as revenue in nature for 2005/2006 and 2006/2007 prior to the 2005/2006 budget setting exercise.  <b>Priority: High</b>	Head of Strategic Finance	Agreed	31 October 2004	On going
2	Officers should calculate the outstanding Incremental Cost of Borrowing indicator.  <b>Priority: Medium</b>	Head of Strategic Finance	Action on this will be deferred pending clarification from CIPFA. We believe that the capital plan is supported by loan charge support and within council tax levels set and indicated so no implications for these arise. Given the differing views on this indicator clarification for future years will be sought from CIPFA.	30 June 2004	On going
3	Consideration should be given to implementing a series of local indicators where this is deemed appropriate.  <b>Priority: Low</b>	Head of Strategic Finance	This is not considered a priority. Once compulsory requirements have been bedded-in, consideration will be given to this. At this stage it is not clear what further indicators would be meaningful and helpful to arrangements.	31 March 2006	On going

No	Recommendation	Responsible Officer	Action	Date	Update 30 April 2004
4	Officers are to update the Corporate Risk Management Strategy and Risk Register to incorporate risks relating to the prudential code to ensure that risk and uncertainty are considered in determining the affordability of the capital plan under the Prudential Code.  <b>Priority: Low</b>	Head of Strategic Finance	Agreed	31 March 2005	On going
5	Officers are to devise and implement a suitable project option appraisal process.  <b>Priority: Medium</b>	Head of Strategic Finance	Agreed	31 March 2005	On going
6	The Financial Regulations and Scheme of Delegation are to be revised to incorporate the requirements of the Prudential Code.  <b>Priority: Medium</b>	Head of Strategic Finance	Agreed	30 June 2004	On going
7	Officers are to implement monitoring and reporting arrangements as proposed.  <b>Priority: Medium</b>	Head of Strategic Finance	Agreed	31 July 2004	On going

