



Internal Audit Report

FINAL

Customer Services

Capital Accounting

February 2012

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1 INTRODUCTION

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

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

2 AUDIT SCOPE AND OBJECTIVES

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

3 RISK ASSESSMENT

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

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

4 CORPORATE GOVERNANCE

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

5 MAIN FINDINGS

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

- 5.2 The SAMB have continued to develop and refine the asset management process including updating the guide to better address the requirements of the Council. When the 2010/11 Capital Programme was created officers had not been given any training in the new processes. Training in business case development has since been provided and further training is available if a need is identified.
- 5.3 There are strong links between the 3 projects reviewed and the agreed Corporate and Service priorities of the Council.
- 5.4 The process for the inclusion of the A83 South Muasdale Project as a named and funded Service Development project on the 2010/11 Capital Programme was contrary to what is set out in the guide. Only an Initial business Case (IBC) had been developed when an outline business case is required for such a project to become a named and funded project, on the programme. This is a reflection of the infancy of the guide at the point in time when this project was being considered. In practice, all projects of this nature now have to go through all of the prescribed gateway stages before having any chance of being recommended for inclusion within the capital plan.
- 5.5 The A83 South Muasdale Project detailed on the 2010/11 Capital Programme with a budget of £600K is materially different to what was detailed in the short version business case scored by the SAMB.
- 5.6 At the time of the audit there was no representation by Community Services on the SAMB. Internal Audit has since been advised that 3 representatives from Community Services have been identified covering Education, Social Work and Community and Culture for the SAMB and they will attend their first meeting on the 6th March.2012.

6 RECOMMENDATIONS

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

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

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

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

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

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

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

7 AUDIT OPINION

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

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

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

Recommendations arising from the audit work should be implemented by the nominated responsible officer/s within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings

being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

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

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

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2 ACTION PLAN

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