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Mr Bruce West  
Head of Strategic Finance  
Argyll and Bute Council  
Kilmory  
Lochgilphead  
Argyll  
PA31 8RT

4 March 2013

Dear Bruce

**Argyll and Bute Council**  
**Review of the adequacy of the Internal Audit service: 2012/13**

Audit Scotland's Code of Audit Practice (the 'Code') sets out the wider dimension of public sector audit. The Code requires external auditors to carry out an annual assessment of the adequacy of the internal audit function. Also, based on this assessment we plan to rely on areas of internal audit work in terms of International Standard on Auditing 610 (Considering the Work of Internal Audit).

We have now completed our assessment of the internal audit function which is provided by the in-house Internal Audit Service. This included a review of the range and quality of work carried out by internal audit.

Overall, we concluded that the internal audit service operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom and has sound documentation standards and reporting procedures in place. For our financial statements audit responsibilities we plan to place formal reliance on aspects of internal audit's work in the following areas:

- Non Domestic Rates
- Council tax
- Payroll
- Trade Payables and Purchasing
- Trade Receivables
- Financial ledger
- Treasury management
- Capital accounting


In terms of our Code responsibilities in relation to governance and performance, we also plan to review and consider internal audit work in a number of areas including:

- Performance Management Arrangements
- SPI verification work

We will continue to monitor and review completed internal audit assignments to ensure that work on which we are placing reliance has been delivered. Any failure to complete areas where formal reliance has been agreed could impact on our plan and agreed audit fee.

If you have any questions on this matter please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Jamieson'.

**David Jamieson**  
**Senior Audit Manager**

By email: Sally Loudon, Chief Executive  
Ian Nisbet, Chief Internal Auditor  
Sharon Middlemass, Best Value and Improvement Scrutiny Group, Audit Scotland