



**Argyll and Bute Council**  
**Comhairle Earra-Ghàidheal Agus Bhòid**

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*17 March 2017*

**NOTICE OF MEETING**

A meeting of the **AUDIT COMMITTEE** will be held in the **COUNCIL CHAMBERS, KILMORY, LOCHGILPHEAD** on **FRIDAY, 24 MARCH 2017** at **11:15 AM**, which you are requested to attend.

Douglas Hendry  
Executive Director of Customer Services

**BUSINESS**

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF INTEREST**
- 3. MINUTES** (Pages 1 - 6)  
Minutes of the Audit Committee held on Friday 2 December 2016
- 4. INTERNAL AUDIT SUMMARY OF ACTIVITIES** (Pages 7 - 16)  
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- 5. INTERNAL AUDIT REPORTS** (Pages 17 - 84)  
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- 6. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW-UP 2016 - 2017** (Pages 85 - 90)  
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- 7. INTERNAL AUDIT ANNUAL PLAN 2017 - 2018** (Pages 91 - 96)  
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- 8. EXTERNAL AUDIT PLAN 2017 - 2018** (Pages 97 - 114)  
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- 9. STRATEGIC RISK ASSURANCE MAPPING** (Pages 115 - 126)

Report by Grant Thornton

**10. FINANCIAL STATEMENTS TIMETABLE 2016-2017** (Pages 127 - 152)

Report by Head of Strategic Finance

**11. DRAFT AUDIT COMMITTEE WORK PLAN 2017 - 2018** (Pages 153 - 156)

**Audit Committee**

Martin Caldwell (Chair)

Councillor Iain MacLean

Councillor Elaine Robertson

Sheila Hill (Vice-Chair)

Councillor Michael Breslin

Councillor Roderick McCuish

Councillor Richard Trail

Contact: Adele Price-Williams

Tel. No. 01546 604480

**MINUTES of MEETING of AUDIT COMMITTEE held in the COUNCIL CHAMBERS, KILMORY,  
LOCHGILPHEAD  
on FRIDAY, 2 DECEMBER 2016**

**Present:** Martin Caldwell (Chair)

Councillor Michael Breslin	Councillor Richard Trail
Councillor Iain Stewart MacLean	Sheila Hill
Councillor Elaine Robertson	

**Attending:** Pippa Milne, Executive Director of Development and Infrastructure Services  
Kirsty Flanagan, Head of Strategic Finance  
Kevin Anderson, Chief Internal Auditor  
Graeme Forrester, Area Committee Manager  
David McConnell, Audit Scotland  
David Meechan, Audit Scotland

The Chair welcomed Councillor Elaine Robertson to her first meeting of the Audit Committee and welcomed the new Audit Scotland team members David McConnell and David Meechan.

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were intimated on behalf of Councillor Roderick McCuish.

**2. DECLARATIONS OF INTEREST**

There were no Declarations of Interest intimated.

**3. MINUTES**

The Minutes of the Audit Committee held on Friday 23 September were approved as a correct record.

**4. EXTERNAL AUDIT**

The new Audit Scotland team introduced themselves to the Committee stating that they are looking forward to working with Members and Officers over the period of their appointment, explained that initial contact had been established with Officers, and they are now working on tasks which include having completed their initial review of Internal Audit as is customary for new external audit teams. A plan will be produced and submitted to a forthcoming Audit Committee.

The key External Audit team Members are wishing to establish a more integrated approach to Best Value which will be reviewed on a cumulative basis with follow-up work carried out accordingly.

**5. INTERNAL AUDIT SUMMARY OF ACTIVITIES**

Consideration was given by Members to a report providing an update on Internal Audit activity during Quarter 3 against; 2016/17 Audit Plan progress; individual audits undertaken; Continuing Monitoring Programme testing; Internal Audit Development Plan and Performance Indicators.

**Decision**

The Audit Committee;

- i) noted the contents of the report; and
- ii) approved the rescheduling of the Waste Management Audit.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

At this point the Executive Director of Development and Infrastructure Services joined the meeting.

**6. INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2016 - 2017**

Members of the Audit Committee considered a report providing detail in respect of the below nine audits;

- Procurement and Commissioning - Professional Electronic Commerce Online System (PECOS);
- Procurement and Commissioning - Off Contract Purchasing;
- TOTAL Roads Costing System;
- Debt Recovery and Write Off;
- Children's Units;
- Tax Incremental Financing;
- ICT;
- Property Maintenance; and
- All Weather Pitch Facilities.

The Chairman received the support of the Committee in noting the work of the Commissioning and Procurement Team in recognition of the high levels of assurance provided in the audits of PECOS and Off Contract Purchasing.

**Motion**

- 1. To note the content of the summary report and detail within each individual report; and
- 2. To bring the audit report on Tax Incremental Funding to the attention of the Performance Review and Scrutiny Committee.

Moved by the Chair, seconded by the Vice Chair.

**Amendment**

- 1. To note the content of the summary report and detail within each individual report with the exception of the audit report on Tax Incremental Funding;
- 2. To address the concerns of the elected members at the current status of the Lorn Arc TIF, this amendment proposes the following actions:

- i) No agreement should be reached on the report by the Chief Internal Auditor on today's agenda and the report should be remitted to special meeting as per point 2 below.
- ii) A special joint meeting should be called of both Audit and PRS committees prior to end January 2017 to enable full debate and scrutiny of this important project. This meeting should be held in Oban in a suitable public venue to allow public attendance. As at area committee meetings, the agenda should be structured in a manner that allows the public to ask questions.
- iii) Prior to this meeting, members of the Oban & Lorn area committee will be invited to submit written comment on the Lorn Arc project.
- iv) Prior to this meeting, officers will be asked to prepare a summary of each element of the Lorn Arc identifying strengths and weaknesses and rating the chances of full success of each element. This should include elements already abandoned as well as current and proposed.
- v) The papers for the special meeting will comprise:
  - a) The Chief Internal Auditor's report for today's meeting.
  - b) The written submissions of the Oban & Lorn Area Committee members.
  - c) The summary of each element of the project as per 4 above.
- vi) Members of the Oban & Lorn area committee will be invited to attend the special meeting proposed at 1 above so they can fully participate in the debate but with voting reserved to the members of Audit and PRS committees.
- vii) The recommendations coming from this meeting should be reported directly to the next meeting of the full council.

Moved by Councillor Michael Breslin, seconded by Councillor Iain S MacLean

### **Decision**

On a show of hands vote, the Amendment received 2 votes and the Motion received 4 votes and the Committee resolved accordingly.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

At this point the Executive Director of Development and Infrastructure Services left and took no further part in the meeting.

At this point Councillor Breslin left the room and took no part in the discussion of item 7, returning for item 8 and the remainder of the meeting.

## **7. EXTERNAL & INTERNAL AUDIT REPORT FOLLOW-UP 2016 - 2017**

Consideration was given to a report and associated appendices detailing the results from a review by Internal Audit which documents the progress made by departmental management in implementing the recommendations made by both External and Internal Audit for recommendations due to be implemented by 31 October 2016.

**Decision**

The Committee noted the contents of the report.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

**8. DRAFT ANNUAL AUDIT PLAN 2017 - 2018**

A report introducing the draft Annual Audit Plan for the financial year 2017/18 was given consideration by the Committee.

**Decision**

The Committee;

- i) noted the proposed content of the report; and
- ii) agreed to feedback any comments to the Chief Internal Auditor.

(Reference: Report by Chief Internal Auditor dated 2 December 2016, submitted)

**9. RISK MANAGEMENT OVERVIEW**

The Audit Committee considered a report provided as an update in relation to the undernoted risk management areas of activity;

- Strategic Risk Register;
- Operational Risk Registers;
- CIPFA Benchmarking;
- Annual Assurance Statement review;
- Annual review of Policy, Strategy and Guidance; and
- Risk Management Action Plan.

**Decision**

The Committee;

- i) noted the contents of the report; and
- ii) noted the continued progress in respect of integrating and embedding risk management.

(Reference: Report by Head of Strategic Finance dated 2 December 2016, submitted)

**10. VAT UPDATE REPORT**

At the Council's request the tax consultants KPMG carried out a VAT Risk Review to identify any areas of potential risk in the Council's VAT accounting processes. A report outlining issues identified by KPMG and procedures that have been put in place, or are in the process of being put in place, in order to reduce the level of risk was given consideration by the Audit Committee.

**Decision**

The Audit Committee noted the report.

(Reference: Report by Head of Strategic Finance dated 2 December 2016, submitted)

**11. AUDIT COMMITTEE DEVELOPMENT PLAN**

Members of the Audit Committee considered a report providing an update in progress and planned activity in respect of the Audit Committee Development Plan.

**Decision**

The Committee noted the contents of the report and the proposed action plan.

(Reference: Report by Vice-Chair of the Audit Committee dated 2 December 2016, submitted)

**12. AUDIT COMMITTEE WORKPLAN 2016 - 2017**

In order to facilitate forward planning of reports to the Committee, Members considered the outline Audit Committee workplan.

**Decision**

The Committee noted the workplan.

(Reference: Audit Committee Workplan dated 2 December 2016, submitted)

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ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

STRATEGIC FINANCE

24 MARCH 2017

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**INTERNAL AUDIT SUMMARY OF ACTIVITIES**

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**1. EXECUTIVE SUMMARY**

- 1.1 The objective of the report is to provide a summary of Internal Audit activity and progress during Quarter 4.
- 1.2 Core activities together with a progress update statement are shown below.
- **16/17 Audit Plan progress:** The Audit plan is anticipated to be fully complete by 31<sup>st</sup> March 2017.
  - **Individual Audits undertaken:** 6 audits have been completed during the period. Of these Audits, 2 are rated as High and 4 are rated as Substantial.
  - **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. Management have responded to previous quarter notifications and there are no outstanding issues.
  - **Performance indicators:** Current status is green / on track.

ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

STRATEGIC FINANCE

24 MARCH 2017

**INTERNAL AUDIT SUMMARY OF ACTIVITIES****2. INTRODUCTION**

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

- 16/17 Audit Plan progress
- Individual Audits undertaken
- Continuous Monitoring Programme Testing
- Internal Audit Development Plan
- Performance indicators

**3. RECOMMENDATIONS**

3.1 Members are requested to note the content of the report.

**4. DETAIL**

4.1 With the exception of one deferral, Waste Management, which was moved to the 17/18 plan, all scheduled audits within the 16/17 plan are expected to be fully complete by 31 March 2017.

4.2 Audits completed to February are detailed in Table 1.

**Table 1: Summary of Audits performed in Quarter 4 2016/17**

Audit Name	Level of Assurance	No. of Actions	High Actions
Education Maintenance Allowances	High	0	0
Service Planning	High	1	0
Common Good Property	Substantial	0	0
Use of Pool Cars	Substantial	6	2
Sustainable Communities	Substantial	3	0
Risk Management	Substantial	3	0

4.3 Subject to the Committee's approval of the 17/18 Internal Audit plan, Quarter 1 audits are shown in the table below. The

<b>Quarter 1</b>
Fees and Charges
Procurement –Catering Services
Governance – Records Management Plan
Mental Health – Client Accounts, Cash & Banking

School Support – Management Circulars
Crematoriums – National Guidance
Gifts and Hospitality
Stores and Stock Control

4.4 Continuous monitoring programme in general is focused on transactional type activity. These areas are tested on a regular basis and detailed reporting is by exception to Audit Committee. Standard audit tests are applied relevant to each auditable unit. A follow up process is in place whereby management are advised of findings and where appropriate, requested to take remedial actions. There are currently no outstanding follow-up points arising from previous quarters testing. Table 2 below summarises activity to date outlining issues arising and provides an overall level of assurance together with follow up detail.

**Table 2: Continuous monitoring programme results:**

<b>Audit Unit</b>	<b>Areas Tested</b>	<b>Issues Arising</b>	<b>Overall Assurance Level</b>	<b>Management Response</b>
Payroll and Overtime	<ul style="list-style-type: none"> <li>Excessive &amp; Regular Overtime</li> <li>Ghost Employees</li> <li>Duplicate Employees</li> </ul>	<ul style="list-style-type: none"> <li>Excessive overtime payments</li> <li>None</li> <li>None</li> </ul>	Substantial	Demand /Activity levels have resulted in a requirement for overtime.
General Ledger	<ul style="list-style-type: none"> <li>Creation and posting of journals demonstrate segregation of duties</li> </ul>	<ul style="list-style-type: none"> <li>Sample of 20 journals tested, 1 was found to be uploaded and posted by the same individual.</li> </ul>	Substantial	Staff have been reminded of requirement to ensure segregation of duties going forward.
Establishment Visit – Hill Street Dunoon	<ul style="list-style-type: none"> <li>Customer Service Centre</li> <li>Corporate Health &amp; Safety</li> </ul>	<ul style="list-style-type: none"> <li>There is a process in place for the cash up and banking of monies. However this is not formally documented in a procedure note.</li> <li>The current emergency procedures are dated 2006 and some information is now out of date.</li> </ul>	High	<p>There is now a documented procedure note in place which is available to staff.</p> <p>It was noted that the facility responsible person is currently updating the procedure and will cascade to staff when complete.</p>

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Management Response
Security of Data	<ul style="list-style-type: none"> <li>Data Protection Assurance</li> </ul>	<ul style="list-style-type: none"> <li>Retention information is contained within service Information Asset Registers (IARs) not yet finalised and approved</li> <li>Data sharing agreements prepared, but more formal written procedure required</li> </ul>	Substantial	IARs to be finalised by 31 March 2017. Quarterly IAR management reports planned to monitor issues and actions arising
		<ul style="list-style-type: none"> <li>No reference to Privacy Impact Assessment (PIA) guidance on project management areas of the HUB</li> </ul>	Substantial	To be taken forward via Records Management Plan work
	<ul style="list-style-type: none"> <li>Records Management</li> </ul>	<ul style="list-style-type: none"> <li>Records management training plan prepared for all employees but not yet in place</li> </ul>	Substantial	Reference to PIA guidance to be added to project management pages on HUB
		<ul style="list-style-type: none"> <li>Assessment team has identified weakness in tracking and off-site storage of paper records</li> </ul>	Substantial	After initial training, at least one training event will be held on an annual basis. Training will also be available online for employees to access at any time.  This has been identified as an area requiring development by the Keeper's Assessment Team, and will be taken forward with our Records Management Plan

Audit Unit	Areas Tested	Issues Arising	Overall Assurance Level	Management Response
	<ul style="list-style-type: none"> <li>• Information Security</li> <li>• Sharing &amp; Subject Access</li> </ul>	<ul style="list-style-type: none"> <li>• No Issues</li> <li>• Guidance is available on the HUB but no formal procedure</li> </ul>	Substantial	<p>development work.</p> <p>This area may require a more formal written procedure to be prepared, and more signposting to where information is available to employees</p> <p>Consider information sharing logs – was raised at Information Security Forum</p>
Creditors	<ul style="list-style-type: none"> <li>• Segregation of duties for those setting up new suppliers and paying invoices</li> <li>• Authorisation of batch invoice payments</li> </ul>	<ul style="list-style-type: none"> <li>• There is no segregation of duties within the Creditor team, for those able to set up new suppliers and process invoices/ amend bank details.</li> <li>• System functionality does not allow amendment/en try list, thus no independent review.</li> <li>• 7 instances of non-compliance with the authorised signatory list from a sample of 40.</li> </ul>	No assurance	<p>From April 1<sup>st</sup> 2017. The new Fraud module from Fiscal (system provider) will report all bank account changes which will be checked to ensure only authorised changes have been processed.</p> <p>Remedial action /control checks now in place.</p>

<b>Audit Unit</b>	<b>Areas Tested</b>	<b>Issues Arising</b>	<b>Overall Assurance Level</b>	<b>Management Response</b>
Bank Reconciliations - Income	Ensure timeliness, accuracy, authorisation and adequacy of supporting documentation.	<ul style="list-style-type: none"> <li>December reconciliations not yet completed at time of test in late January.</li> </ul>	Substantial	Reports for reconciliations will now be run automatically at the start of month to ensure timely reconciliations
Bank Reconciliations - Expenses	Ensure timeliness, accuracy, authorisation and adequacy of supporting documentation.	<ul style="list-style-type: none"> <li>There are a number of outstanding reconciling items totalling approx. £25k, some dating back to Jan 16, where no back up is provided.</li> </ul>	Reasonable	A reminder process is in place. Further follow up action will take place.

4.5 A follow up process for National/External reports is in place whereby management are advised of recommendations within reports and where appropriate, requested to take required actions. Table 3 below details the National Reports issued during quarter 4 along with follow up detail.

**Table 3: Issue of National Reports in Quarter 4:**

<b>National Report</b>	<b>Issued To</b>	<b>Detail</b>	<b>Management response/ Action taken</b>
NHS in Scotland 2016	<ul style="list-style-type: none"> <li>Chief Officer, Health &amp; Social Care</li> </ul>	NHS funding is not keeping pace with increasing demand and the needs of an ageing population. NHS boards are facing a challenging financial position.	Report currently with management for consideration and will be subject to routine follow-up.
Follow up – Ensuring employers comply with national minimum wage requirement	<ul style="list-style-type: none"> <li>Chief Officer, Health &amp; Social Care</li> <li>Head of Improvement and HR</li> <li>Procurement &amp; Commissioning Manager</li> <li>Head of Strategic Finance</li> </ul>	It is important that the Government maintains its progress in ensuring all employers pay the minimum wage. This report finds that non-compliance with	The procurement and commissioning team worked in partnership with strategic finance to support the HSCP achieve the Scottish Government's requirements that

		<p>the National Minimum Wage in the social care sector remains a concern.</p>	<p>care workers in the care sector received £8.25 from Oct 2016. A minute of variation was issued to all services following negotiations and amended hourly rates were agreed with relevant care suppliers. The procurement &amp; commissioning team awaits instructions from HSCP regarding extension of the contracts at the same rate and will continue support HSCP to meet their compliance requirements.</p>
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IJB Assurance Mapping Update

- 4.6 High level findings were presented to the December meeting of the IJB Audit Committee. A further report will be presented to the March IJB Audit Committee outlining any gaps or weaknesses in assurance coverage. We will review this report in respect of impact on our annual audit plan / risk assessment.
- 4.7 National Fraud Initiative (NFI). Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent claims and payments to be identified but the inclusion of personal data within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. The Council is currently on track with NFI upload timetable and where matches have been released these are being reviewed.
- 4.8 This section highlights progress made against the actions points in our Internal Audit development plan. These include improvements identified as a result of our review against the Public Sector Internal Audit Standards. An additional action has been added in respect of self-assessment activity.

**Table 4: Internal Audit Development Key Actions:**

Area For Improvement	Agreed Action	Progress Update	Timescale
Training and CPD	Formalise our plans for internal audit training, including continuing professional	On Track:	On-going

Area For Improvement	Agreed Action	Progress Update	Timescale
	development (CPD)		
Audit Plan Preparation	2017/18 Plan submitted to March Audit Committee for Approval	Report submitted for discussion.	March 2017
SharePoint site	Roll – out stakeholder system view	Rescheduled in line with available resource.	March 2018
PSIAS – Internal Self-Assessment	IA team to review process and guidance documentation in preparation for External review	Complete	February 2017

4.9 Internal Audit scorecard data is available on pyramid. The indicators are currently showing as on track. The undernoted table is an extract of the key information.

<b>Internal Audit Team Scorecard 2016 – 17 - February 2017</b>			
<b>TEAM RESOURCES</b>			
PRDs IA Team <b>G</b> →	TARGET	Percentage of PRDs complete	
	90%	100%	
	Number of eligible employees FTE	Number of PRDs complete FTE	
	4	4	
<b>Financial</b>			
Revenue Finance	BUDGET	ACTUAL	<b>G</b>
YTD Position	£228,428	£223,850	→
Year End Outturn	£259,149	£259,149	
<b>SF02 Assurance...that financial and management controls are operating effectively</b>			
Audit risk assessment prepared by 31 January	Status	On Track	<b>G</b> ↑
	Target	On Track	
Annual Audit Plan	Status	On Track	<b>G</b> →
	Target	On Track	
Annual audit plan approved by 31 March	Status	On Track	<b>G</b> →
	Target	On Track	
% of audit recommendations accepted	Actual	100%	<b>G</b> →
	Target	100%	
	Benchmark	100%	
% Recommendations followed up	Actual	100%	<b>G</b>
	Target	100%	



	Benchmark		→
Percentage qualified staff	Actual	60%	G
	Target	60%	↑
	Benchmark		
% satisfaction rates from post audit surveys	Actual	94%	G
	Target	80%	↑
	Benchmark		
% customer satisfaction with audit reports	Actual	94%	G
	Target	80%	↓
	Benchmark		
Internal Audit Training days	Actual	39 days	R
	Target	45 days	↑
	Benchmark		

## 5. CONCLUSION

5.1 The 16/17 Audit Plan is expected to be fully complete by 31<sup>st</sup> March. Our continuous monitoring programme has provided an overall substantial level of assurance. Planned sharepoint development work is currently on hold due to resource constraints.

## 6. IMPLICATIONS

6.1 Policy - Internal Audit continues to adopt a risk based approach

6.2 Financial -None

6.3 Legal -None

6.4 HR - None

6.5 Equalities - None

6.6 Risk – None

6.7 Customer Service - None

**Kevin Anderson,  
Chief Internal Auditor  
24 March 2017**

### **For further information contact:**

Kevin Anderson, Chief Internal Auditor (01369 708505)

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ARGYLL AND BUTE COUNCIL

AUDIT COMMITTEE

STRATEGIC FINANCE

24 MARCH 2017

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**INTERNAL AUDIT REPORTS TO AUDIT COMMITTEE 2016 - 2017**


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**1. EXECUTIVE SUMMARY**

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

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the management of risk are at a high standard with only marginal elements of residual risk identified, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

- 1.3 The attached reports contain the action plans which detail those findings where Internal Audit, in agreement with management, has classified the findings either high or medium. Findings classified as low have been removed.

1.4 A high level summary of each report is noted below:

- **Education Maintenance Allowances (EMAs):** This audit has provided a high level of assurance as internal control, governance and the management of risk are at a high standard. Policies and procedures are in place to meet the requirements set out by the Scottish Government. Roles and responsibilities are clearly defined. There were no findings identified as part of the audit.
- **Service Planning:** This audit has provided a high level of assurance. Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk. Policies and procedures are in place and roles and responsibilities are clearly defined.
- **Common Good Property:** This audit has provided a substantial level of assurance. Governance and management of risk was deemed to be sound. Upon receipt of guidance from Scottish Government internal audit will undertake follow up activity to assess progress within any stipulated requirements.
- **Use of Pool Cars:** This audit has provided a substantial level of assurance. Controls in place were deemed to be sound and operating effectively however there are potential opportunities for savings to be achieved through maximising the utilisation of the current pool car fleet and/or increasing existing fleet.
- **Sustainable Communities:** This audit has provided a substantial level of assurance. The focus of the audit was on grant applications made prior to the introduction of the new processes. Weaknesses were identified in terms Policy and procedures having not been documented however walk through tests carried out on a sample of award payments established that adequate controls were in place and that reporting arrangements were sound.
- **Risk Management:** This audit has provided a substantial level of assurance. Processes are well embedded and development work is on-going in respect of both Operational Risk registers and the Strategic Risk register.

## 2. RECOMMENDATIONS

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

## 3. CONCLUSION

3.1 Management has accepted each of the reports submitted and have agreed responses and timescales in the respective action plans.

**4. IMPLICATIONS**

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

**Kevin Anderson, Chief Internal Auditor**

**24 March 2017**

**For further information contact: Kevin Anderson, Chief Internal Auditor  
01369 708505**



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# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	COMMUNITY SERVICES
AUDIT DESCRIPTION	SYSTEM BASED AUDIT
AUDIT TITLE	School Support – Education Maintenance Allowances
AUDIT DATE	November 2016

2016/2017



## 1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of School Support – Education Maintenance Allowances (EMA's) as part of the 2016/2017 Internal Audit programme.

Launched in 2004, Education Maintenance Allowances (EMAs) provide financial support to 16 to 19 year-olds from low-income households who are attending non-advanced education in school, college, community or voluntary provision and those who are home educated as well as those on Activity Agreements. The programme aims to increase participation and retention in post-compulsory education. An EMA is normally restricted to a maximum period of 3 years from the first valid application

The Education Maintenance Allowances (Scotland) Regulations 2007 provides the legal framework for education authorities to pay EMAs to school students. EMA's are available to eligible students, comprising of a weekly allowance of £30 requiring 100% attendance at all timetabled sessions. Allowances can only be paid for each full week's attendance within term time, up to maximum of 42 weeks in any one academic year.

In order to receive an EMA a student must have an acceptable Learning Agreement in place. A learning agreement is an agreement between the student and the school that sets out the learning that will be offered and the responsibilities of both parties.

In the academic year 2015/16 266 pupils received payment of an EMA, with actual expenditure and a total reclaim of £261k.

## 2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to review the control environment of Education Maintenance Allowances. Controls included:

- Authority – Roles and delegated responsibilities are documented;
- Occurrence – Sufficient documentation exists to evidence compliance with policies and procedures;
- Completeness – All required documentation is accurately and fully maintained;
- Measurement – Evidence of secure control environment operating effectively;
- Timeliness – Applications are processed within required timeframes;



Regularity – Documentation is complete, accurate and not excessive; it is stored securely and made available only to appropriate members of staff.

### 3. RISKS CONSIDERED

- The system’s accuracy and effectiveness have not been assessed;
- The system, data and activities are not up to date;
- The system is not documented leading to a lack of awareness of processes and requirements;
- Authorities, roles and responsibilities have not been identified and assigned.

### 4. AUDIT OPINION

The level of assurance given for this report is High.

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of

	unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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

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

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

The following findings were generated by the audit:

Internal Audit is placing reliance on the work undertaken on EMA's by the Council's External Auditors, currently Audit Scotland. An annual examination is undertaken of the EMA year end statements, the records and related accounts. The External Auditors certificate indicated that they were satisfied that the return made by the Council was fairly stated and in accordance with the EMA Business Model and guidance document.

Policies and procedures are documented in terms of the processes for EMA's and were found to be up to date. These include:

- Administration procedures;
- School guidance;
- SEEMiS (Education Management System) EMA manuals;
- Scottish Government EMA guidance and processes;
- Standard EMA application forms are used ensuring consistency;

It was found that records are checked for completeness and accuracy, including:

- Attendance record checks are undertaken each term across all secondary schools by the Education central administration team;
- Creditor's payments in relation to student EMA payments are reconciled with records held by Education. Prior to creditor's payments being run an email is sent from Education detailing the expected payments;
- Authorisation processes for payments are appropriate;
- Strategic Finance undertakes monthly reconciliation checks against EMA payments made, claims and refunds.

It was evidenced that the Council complies with the requirement to promote EMA's through the Council website, the distribution of booklets to students, posters, and additionally texts messages are sent to parents of all eligible students.

It was found that in terms of the requirements set out, student payments are made on a fortnightly basis.

The SEEMIS (Education Data Management System) EMA module enables authorised users to process applications from eligible students. Access to the system is restricted by means of a user name and password.

The year-end statement, which is signed by the Head of Strategic Finance, was submitted to the Scottish Government within the required timeframe.

It was found that there are processes in place to ensure that applications are processed in a timely manner. Applications are sent direct to the central Education administration team who date stamp the application and record the date received on a database. There are processes in place to ensure that where all required documentation has not been received, timely reminders are sent to the requestor. Learning Agreements are appropriately signed by authorised school staff prior to forwarding to the central administration team.

## **6. CONCLUSION**

This audit has provided a High level of assurance as internal control, governance and the management of risk are at a high standard with only marginal elements of residual risk. Policies and procedures are in place to meet the requirements set out by the Scottish Government. There were no findings identified as part of the audit.

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



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# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CROSS CUTTING
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	SERVICE PLANNING
AUDIT DATE	MARCH 2017

2016/2017



## 1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Service Planning as part of the 2016/17 Internal Audit programme.

Service Plans are prepared annually and approved as part of the revenue budget and set out the outcomes that each service should work to deliver over the period of the plan. The requirements for Service Planning are set out in the Council's Planning and Performance Management Framework (PPMF) which details processes for ensuring that the Council's resources are targeted towards delivering on the priorities as set out in the Local Outcome Improvement Plan (LOIP) and the Council's Corporate Plan.

Service Plans have three key purposes:

- They allow Managers to illustrate how their services will contribute to the delivery of the Corporate Plan (CP) and the LOIP.
- They are the key tool for allocating the budget to agreed outcomes.
- They are made public and therefore contribute to our statutory requirements for Public Performance Reporting (PPR).

The main requirements for Service Planning included within the PPMF are:

- Service overview
- Business outcomes contributing to council outcomes
- Revenue budgets allocated by business outcome and thus attributable to council outcomes
- Service measures demonstrating fulfilment of service outcomes

The Corporate Plan sets out our Vision, Values, Strategic Priorities and Corporate Outcomes. The Business Outcomes are the key link between the Corporate Plan and service delivery.

Service delivery is to be monitored via Outcome Success Measures with appropriate Targets, Key Dates, and where possible Benchmarks in order to support a culture of continuous improvement.

The audit focused on whether the agreed service plans for 2017/20 met both PPMF requirements and concurred with guidelines issued.



## 2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to assess whether services plans meet PPMF requirements. The scope was limited to criteria assessment only and does not include any qualitative assessment.

Controls included:

- Authority – Appropriate Governance arrangements are in place. Roles and delegated responsibilities are clearly defined. Lead officers are aware of their roles and responsibilities.
- Occurrence – Sufficient documentation exists to evidence compliance with policies & procedures.
- Completeness – Service plans are complete and include links to relevant outcomes and service delivery models.
- Measurement – Measurement or performance review arrangements are in place and where appropriate are SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound.
- Timeliness – Service Plans are current.

## 3. RISKS CONSIDERED

- Guidance procedures are not in place
- Outcome success measures are not aligned to the outcomes within the LOIP or CP
- Service plans do not cover all priority areas
- Revenue budgets are not aligned to service outcomes
- Benchmarking is not addressed
- Operational risks are not identified

#### 4. AUDIT OPINION

The level of assurance given for this report is High

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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

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

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

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

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

## 5. FINDINGS

The following findings were generated by the audit:

### Governance, Policies and Procedures

- It was agreed at the Strategic Management Team (SMT) meeting of September 2016 that the Council adopts the following changes to Service Planning namely:
  - From using Service Outcomes written by officers in the Services, to a system of Business Outcomes endorsed by SMT.
  - To a 'two-part' Service Plan comprised of a 'Strategic Plan' and a 'Business Plan'
  - To using a database (Access) to create the Service Plans, replacing the Excel template that has been used in previous years.

Potential benefits accruing from these changes are:

- A simplification of the Service Planning process
- An opportunity to clarify the use of the Service Plans
- The use of Business Outcomes will create a corporate overview that will emphasise the 'common goals' of the organisation and will reduce silo working
- Clearer presentation of the plans' contents
- The publication of a 'Strategic Plan' enables stakeholders to be more focused, and assists high level scrutiny
- The use of a 'Business Plan' will empower Executive Directors, Heads of Service and Third Tier Managers to manage the operations of the organisation more responsively.

- Use of common outcomes may highlight areas of duplication / areas for efficiencies
- The use of an Access database will enable more flexible reporting and better control over formatting

SMT also agreed to proceed with three-year service plans covering the period 2017-20 and a one-year budget for 2017-18.

- It was noted that discussions are ongoing with regards to replacing the PPMF with a Performance Improvement Framework (PIF).
- The Council meeting of February 2017 agreed Service Plans covering the 3 year period from 2017-20 as well as the budget for 2017-18.
- Service Planning Guidance has been forwarded to all service departments. A review of the guidance found that the instructions adequately set out both the requirements of a Service Plan and the roles and responsibilities of service users to complete their respective Service Plans for most areas, however a review of the agreed Service Plans (outlined below) showed that there was an inconsistent approach by services in regard to Key Service Improvements. Consequently, the guidance requires clarity on this area.

The guidance included instructions under the following headings:

- Service purpose
  - A list of all possible Business Outcomes
  - Service Resource i.e. budget allocation to each Business Outcome and a Full Time Equivalent (FTE) for each Council Service
  - Significant challenges
  - Details how Business Outcomes will be measured to assess whether they have been delivered i.e. Outcome Success Measures, Targets, Key Dates and Benchmarks
  - Key Service Improvements
  - An example of a Service Plan layout.
- It was evidenced that a mapping exercise has been carried out that maps Business Outcomes against Corporate Outcomes, Corporate Priorities and Service Outcomes.
  - Governance controls are satisfactory as evidenced above with appropriate authorisation and control at key stages.

Review of Service Plans

- A summary of the number of Business Outcomes, Success Measures and Key Improvements for each service is shown in the table below:

<b>Service</b>	<b>No of Business Outcomes</b>	<b>No. of Success Measures</b>	<b>Key Service Improvements</b>
Community and Culture	7	17	9
Customer and Support Services	5	48	11
Economic Development and Strategic Transportation	4	20	3
Education	8	42	4
Facility Services	2	18	3
Governance and Law	4	23	3
Improvement and Human Resources	7	34	7
Planning and Regulatory Services	8	21	7
Roads and Amenity	4	13	8
Strategic Finance	2	22	8
<b>Total</b>	<b>51</b>	<b>258</b>	<b>63</b>

- Our review noted that 30 of the 32 Business Outcomes are referenced within 2017/18 Service Plans.

- Service Plans were found to be consistent with the requirements of the PPMF and the guidance issued. Specifically the review found:
  - All Service Plans include an outline of the Service purpose.
  - All Service Plans include a revenue budget against each Business Outcome and a Full Time Equivalent (FTE) for each council service.
  - Service Plans include a list of significant challenges.
  - All Service Plans include Business outcomes, Outcome Success Measures, Targets, and Key Dates.
  - Service Plans included Key Service Improvements which relate to Business Outcomes included within the plans.
  - The review further noted that service plans although meeting the requirements of the PPMF do not refer to all areas of key service delivery.
  
- Services were reviewed in relation to whether success measures were SMART i.e. Specific, Measurable, Achievable, Realistic and Time bound. A review of the success measures found that the majority were consistent with SMART principles.
  
- It was noted that Operational Risks will be aligned to the Service Challenges detailed within the Service Plans and that this exercise is currently underway.

## 6. CONCLUSION

This audit has provided a High level of assurance as Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied. There are no actions to be reported to the Audit Committee.

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



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# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CROSS CUTTING
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	COMMON GOOD PROPERTY
AUDIT DATE	FEBRUARY 2017

2016/2017



## **1. BACKGROUND**

This report has been prepared as a result of the Internal Audit review of Common Good Property as part of the 2016/17 Internal Audit programme.

In 1995 with the Dissolution of the District councils, Argyll and Bute Council took over the administration of the Common Good Funds falling within its geographical area. The Common Good Funds do not belong to the Council, however, administrative support is provided by the Council, and the elected members for the area currently oversee Common Good Funds. Legally, the Members are in a similar position to Trustees. Argyll and Bute Council is responsible for the administration of 4 active Common Good funds namely Oban, Campbeltown, Rothesay and Dunoon. The Council administers each of the separate Common Good Funds which can include land and buildings as well as cash.

In June 2014 the Community Empowerment Act was introduced to the Scottish Parliament and the Bill was passed in June 2015 and received Royal Assent in July 2015. The Act has 9 parts of which part 8 relates to obligations surrounding Common Good Property. The Act aims to increase transparency about the existence, use and disposal of common good assets, and to increase community involvement in these processes. It requires Councils (as trustees) to establish and maintain a common good register, listing all common good property, and to make this publicly available free of charge on a website. When establishing this register, Community Councils and other community bodies (whether or not formally constituted) must be invited to comment on it as a way to highlight any items they believe should be included or omitted. The Council must also consult on any decisions to sell or change the use of common good property, and the public must be informed of any decisions.

## **2. AUDIT SCOPE AND OBJECTIVES**

The main objectives of the audit are to review the Councils preparedness to meet its obligation in regard to Common Good Property as outlined in Part 8 of the 2015 Communities Empowerment Act (Scotland) 2015.

### 3. RISKS CONSIDERED

- Reputational risk to the Council
- Register of Common Goods Assets is not in place
- Register not available on Council website
- Consultation with local community groups not in place
- Failure to report progress on meetings obligations within the Act
- Insufficient resources to meet obligations within the Act

### 4. AUDIT OPINION

The level of assurance given for this report is Substantial

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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

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

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

The following findings were generated by the audit:

- Part 8 of the Community Empowerment Act sets out the obligations that Councils should meet in regard to use and disposal of Common Good assets, and to increase community involvement in these processes. It was evidenced from correspondence that Scottish Ministers have advised that in accordance with their obligation to consult with local authorities, community councils and

other community bodies, a twelve-week consultation is intended to take place subsequent to the local elections taking place in 2017. Scottish Ministers have further confirmed that the publication of guidance will take place subsequent to the completion of this consultation period, with the exact timing taking into account the volume and nature of responses to the consultation. Scottish Ministers have committed to keeping local authorities and community bodies fully informed so opportunity for preparation for the new procedures is ensured. The main requirements of part 8 are as follows:

- Each Local authority must establish a register of property which is held by the Authority as part of the Common Good.
  - Before establishing the register each Local Authority must publish a list of property which it proposes to include within the register in a way determined by the local Authority and on publishing the list the Local Authority must notify local Community bodies.
  - On establishing a Common Good register Local Authorities must give regard to any representation made by Local Community bodies
  - Local Authorities must make arrangements to enable members of the public to inspect free of charge its Common Good register at reasonable times and at such places as the Authority may determine.
  - Make the Common Good register available on the Authorities website or by electronic means to members of the public.
  - Before making any decisions to dispose of or change the use of a property the Local Authority should publish details about the disposal in a way determined by the local Authority
  - On publishing details about a proposed disposal the local Authority should notify relevant Community bodies that are known by the Authority to have an interest in the property
  - have regard to any guidance issued by Scottish Ministers in relation to the management and use of property that forms part of the common good
- 
- There are currently 4 active Common Good funds within Argyll and Bute namely :
    - Oban Common Good Fund

- Campbeltown Common Good Fund
- Dunoon Common Good Fund
- Rothesay Common Good Fund

The funds include land and buildings as well as cash and shares, with fund values varying. It was evidenced that information on the funds, and some detail of the assets of the funds are available on the Council's website, along with information on how to contact officers who administer the funds should further information be sought.

A review of the preparedness of the Council to meet the obligations as outlined above:

- It was noted that the Council formed a working group in 2015 to consider the implementation of the Community Empowerment (Scotland) Act 2015. A review of the membership noted that appropriate representation from such areas as Community Planning, Business Improvement, Facility services and Governance and Law. Representatives from Community Partners are also on the group. The remit of the group includes:
  - Consideration of amending/adopting policies and procedures in relation to the Act.
  - Consideration of engagement of local communities/groups in relation to the implementation of the Act.
- A Benchmarking exercise was carried out with 5 other Councils to ascertain the actions those Councils were currently undertaking in regard to implementation of the Act. From this exercise it was noted that:
  - One Council has completed an update of their Common Good register following a complete audit of their title deeds records; extensive consultation with local communities; and a reconciliation of internal Finance and Asset Management systems.
  - Three councils indicated they were currently undertaking an ongoing exercise to ensure that their Common Good registers were both up to date and complete.
  - One Council replied that they had no common good property.

- One Council also responded that no work will commence until final guidance is received.
- Argyll and Bute officers have indicated that they are awaiting final guidance before commencing detailed work. It was evidenced from minutes of the working group that consideration has been given to the requirements of Part 8 the Act, and there was an acknowledgement that additional resources may be required in order to implement these requirements. Some preparatory work has taken place in respect of existing property, however, officers have advised that this will not be completed until final guidance is received.
- It is evidenced that arrangements to comply with some parts of the Act are further progressed than preparation for compliance with Part 8 and that an action tracker is in place which outlines tasks, timeline and responsible officers. Recognising this variance in progress, officers have indicated that, upon receipt of the guidance, further details relating to the implementation of Part 8 will be added to the Group's action tracker to ensure the Council is best placed to meet any requirements.
- It was noted that there was no evidence of a risk register being in place in regard to implementation of part 8 of the Act.
- Consideration should be given by Estates as a result of the requirements of part 8 of the act in current procedures/process in relation to asset disposals, and to updating the property maintenance database Concerto once implementation has been completed.

## 6. CONCLUSION

This audit has provided a substantial level of assurance as governance and management of risk is deemed sound. Upon receipt of guidance from Scottish Government and allowing time of management action, internal audit will undertake follow up activity to assess progress within any stipulated requirements. There were no actions identified as a result of the audit.

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



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# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CHIEF EXECUTIVE'S UNIT
AUDIT DESCRIPTION	VALUE FOR MONEY AUDIT
AUDIT TITLE	INTERNAL AUDIT REVIEW OF TRAVEL & SUBSISTENCE – USE OF POOL CARS
AUDIT DATE	JANUARY 2017

2016/2017



## **1. BACKGROUND**

This report has been prepared as a result of the Internal Audit review of Travel and Subsistence – Use of Pool Cars as part of the 2016-17 Internal Audit programme.

Council policies actively promote alternative ways of working to minimise the need to travel thus saving time, costs and pollution as well as reducing risks, however, it is not always possible to avoid the need to travel. Argyll and Bute Council currently operates 20 pool cars across all areas through the use of a booking system. As per the data on the Council's performance management system, for financial year 2015/16 the total pool car mileage amounted to 251k. This is an average mileage of 13k per pool car.

Pool cars are available for use by any staff member who can demonstrate that they are licensed to drive a car. A pool car protocol has been documented and where travel is essential it states that, "the use of pool cars should be promoted where possible, with services making all employees who may use their cars on council business aware of the appropriate booking procedures for pool vehicles and, any other essential procedures including vehicle check lists and standard logging of vehicle use."

## **2. AUDIT SCOPE AND OBJECTIVES**

The objective of the audit is to provide detail on the pool car utilisation and general controls in place.

Policies and procedures in place were reviewed to assess compliance with relevant legislation and good practice, a sample of journeys was selected for review to check that controls were in place and operating effectively, additionally a sample of pool car users and administrators were issued questionnaires and feedback reviewed.

## **3. RISKS CONSIDERED**

- Failure to utilise pool car facility in an efficient and effective manner.

#### 4. AUDIT OPINION

The level of assurance given for this report is Substantial.

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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

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

## 5. FINDINGS

The following findings were generated by the audit:

### Pool Car Protocol

The Council has developed a Drivers' Handbook as a guide to ensure that users are aware of the issues relating to the operation of Council Vehicles, the impact on the Council, responsibilities as a driver of a Council vehicle and ability to promote good practice. We were advised that a copy of the Drivers' Handbook is available within each of the pool cars. A Pool Car Protocol has also been developed and is included as an appendix within the Drivers' handbook and is also available on the Council's intranet website (HUB). It was, however, noted that the Pool Car Protocol has not been evidenced as reviewed since November 2014 and contains outdated information in respect of driving licence checks.

The protocol shows that a licence check should be carried out annually, however, following advice from the Traffic Commissioner, the pool car administrators have been instructed to carry out these checks every six months. The information received from these checks is held inconsistently, with some administrators updating the Tranman fleet management system and others maintaining spreadsheets. There is no alert from either system to advise an administrator that a user is due for licence review, thus, leaving administrators to improvise with other means such as Outlook task reminders. It was noted at the time of the report that there is an ongoing exercise being carried out by Integrated Transport and Fleet Management to arrange access and training for TRANMAN to all pool car administrators where user's licence check information will be stored in a central repository.

The protocol states “In situations where two bookings are being made at the same time longer journeys should have priority over shorter journeys”. This statement provided some confusion and concern among administrators and users and may require some clarification to ensure consistent and fair practice whilst promoting best value for the Council.

### HUB List of Pool Cars and administrators

The booking system includes an online diary on the HUB that shows the make, model and registration of the pool cars and users can make a booking through one of the listed administrators on the HUB. Although the Booking System on the HUB was found to be up to date an additional, document listing cars and administrators was found to be outdated. A review of this list noted that it included 2 former employees and one employee that had moved to another post. The view area of the pool car booking system also offers a contact telephone number for staff to call and make a booking; however, in 4 instances the information provided on the booking system was inconsistent with the aforementioned HUB listing.

All pool car administrators contacted during the course of the audit were able to arrange bookings and were clear as regards to their roles and responsibilities.

### Test Bookings – Walk-through Testing

Four test bookings were undertaken; in each case an original booking was placed with the relevant pool car administrator and then a secondary booking placed thereafter, for the same day at the same time but for a longer journey distance in order to test booking priority. An additional test booking was attempted for a non-member of staff.

Walkthrough testing generated the undernoted findings

- Each test booking was placed successfully however the listed pool car administrators were not always available and in 2 instances did not operate the team call group facility available within the corporate Lync system. Answerphone messages were left in these instances and bookings were confirmed at a later time.

- On one occasion the pool car administrator identified another user attending the same destination and a possible opportunity to car share was offered.
- For one of the 4 test bookings preference was given to the user requiring to travel the furthest distance (having enquired at similar time to original booking).
- One journey was booked without recording destination or request of driving licence information from the user who had not used a pool car in over 3 years.
- Attempt to book pool car for a non-employee was appropriately refused.

### Tracking System

Pool cars are fitted with tracking devices where driving information is recorded on a system, speeding reports are generated and reviewed by staff and where relevant the driver is contacted to highlight inappropriate driving behaviour. The driver is contacted directly twice, thereafter management is informed to ensue formal discussion. Future refusal of the use of pool cars may be a consequence of repeat instances of inappropriate driving.

The business cases include a usage target whereby pool cars should be utilised for 60% of the available annual working days. All Council pool cars have achieved the 60% target, however, this is an historic target and there is no evidence that this has been recently reviewed.

Integrated Transport undertake analysis of pool car mileage, per each of the Council's 4 main areas (Bute & Cowal (B&C), Oban, Lorn and the Isles (OLI), Mid-Argyll, Kintyre and Islay (MAKI) and Helensburgh and Lomond (H&L)), this is recorded on the Council's Performance Management System, Pyramid. Pool cars are replaced on a like for like basis when the 60% usage target has been met. There is no evidence that the mileage information is analysed further to establish the office locations which have the highest pool car usage, therefore, providing limited assurance that pool cars are deployed to promote optimum usage and ensure best value.

### Pool Car Log Books

Currently pool cars contain a log book for completion by users to record usage and journey details. Copies from these log books were requested for the period of January to March 2016 for analysis. The following findings were generated.

- Log books for 10 out of the 20 pool cars were received, this was due to some log books being destroyed following disposal of pool cars
- The records for one pool car were retained in a previous document format that did not detail timing information
- Log books were inconsistently completed i.e. description field was not sufficiently completed in many instances and in some cases the mileage and time fields were left blank
- Some entries were missing entirely

At the time of audit it was noted that Integrated Transport are removing log books from vehicles as their function is now obsolete, and has been replaced by the online booking system, for naming drivers, and the tracking system for journey information.

### Fuelling of Pool Cars

Council pool cars may be re-fuelled using the following options:

- Fuel Cards
- Garage Accounts, and
- Fuel pumps at Council Depots

Users are requested to refuel pool cars at council depots, however, this is not always possible should the user not have a fuel tag or require refuelling after the depot is closed. Garage accounts are replacing fuel cards as the alternative option. All charges are allocated to the pool cars via their registration numbers on the VECTEC fuel management system and fed into the Tranman Fleet Management system via electronic transfer.

The VECTEC system has electronic controls in place to restrict excess fueling per car and per user at the depot pumps. Fleet management review all garage accounts prior to payment to ensure that a Council vehicle has been fuelled by checking that a valid registration number has been entered on the account. The control in relation to verification and authorisation of fuel purchases is deemed weak with no evidence of any cross checking or independent test being in place.

### Mileage Claim Analysis

Staff travel claims are processed through the Council's Resourcelink Human Resources system. A report was run from the system to identify claims made for mileage on selected dates during the period of January to March 2016. The following testing was undertaken:

- A sample of 4 dates was selected when the pool cars were fully utilised as per the Council's booking system. Information was then extracted from the log books provided and compared with mileage claims submitted by casual users for the same days. The following findings were generated:
  - For each of the locations, Campbeltown, Helensburgh, Dunoon, Lochgilphead and Oban, it was found that mileage claims were submitted for journeys longer than that for which the pool cars were utilised on each occasion
  - Analysis of the sample suggests that for every journey undertaken by a pool car, 6 claims are made for longer distances, indicating that potential efficiencies can be realised through improved journey management
  - The cost of mileage claims for these dates was in excess of £14k
  - Travel needs exceeded the availability of pool cars
  
- A sample of 8 dates was selected from the pool car booking system for when pool cars were available and then compared to mileage claims submitted by casual users for the same dates. The following findings were generated:
  - Mileage claims were processed where pool cars were available
  - The cost of mileage claims for these dates was in excess of £25k



- As mileage claims have been processed when pool cars are available, this does not give assurance that the pool car protocol is being followed in all cases. It also indicates that potential efficiencies could be realised through maximising pool car usage.

During financial year 2015-16 2.5 million casual user miles were claimed at a cost in excess of £1 million.

### Administrator Questionnaires

A pool car administrator from each of the 5 main locations, being Lochgilphead, Dunoon, Helensburgh, Campbeltown and Oban, were asked to answer 8 questions with regards to the Pool car booking process. A summary of the questions and responses are attached at appendix 1. The main findings are as follows:

- Call forwarding and the use of team call group facility is not regularly used across the areas
- The operation of a cancellation list is not consistent across the areas
- Licence checks are not carried out consistently across the areas in accordance with Traffic Commissioner guidance
- One administrator would not advise callers if pool cars were already booked to attend the same location.

### Users Questionnaires

A pool car user questionnaire was sent to a sample of employees that had been identified as having used a pool car during the period January to March 2016. Of the 98 questionnaires issued, 54 responses were received. A summary of the questions and responses are attached at appendix 2. The main findings are as follows:

- Before booking a pool car all users would consider the alternative options to travel, such as telephone or video conferencing
- Approximately 80% of users agreed that when picking up a pool car, the car had been available at the agreed time and place
- Only 40% of users felt that pool cars were in a suitable condition (e.g. clean/suitably fuelled) when they picked them up for use
- More than 50% of users indicated that they did not feel that there are a sufficient number of pool cars available in their area

Procurement

The Council has purchased its current fleet of pool cars as opposed to leasing. This decision was made by Strategic Finance following analysis of purchase price and residual value against lease costs and associated potential penalties.

Integrated Transport provided a copy of business cases for 2 recent pool car purchases. These business cases are based on an annual mileage of 25k, in order to obtain an indicative lease rate; it was noted that this figure is not based on actual pool car mileage.

A break-even analysis spreadsheet was provided to establish the fixed and variable cost in providing a pool car. The fixed costs included the purchase price (one fifth purchase cost over 5 years), the annual maintenance charge (MOT, Safety Checks, Road Tax & Telematics) and annual insurance. The variable cost per mile is calculated using the current fuel cost divided by the published fuel consumption rates for the pool car model selected. It was noted that the variable costs of providing a pool car are not included in the business case.

The following analysis was undertaken:

Cost analysis based on 25,000 miles estimated use of pool car

<b>Mileage Type</b>	<b>Fixed Cost £</b>	<b>Variable cost per mile First 10,000 miles £</b>	<b>Cost of 25,000 miles £</b>	<b>Average Cost per mile £</b>
Pool Car	3,580.13	0.07	5,330.13	0.21
Casual	0.00	0.45	11,250.00	0.45
<b>Difference</b>			<b>5,919.87</b>	<b>0.24</b>

Subject to the methodology used in the table above the pool car average cost per mile is significantly less than the casual cost per mile and given that there are approx. 2.5 million casual miles claimed per annum, there is potential to reduce costs by promoting pool car usage. This could be achieved via maximising existing usage and/or increasing fleet.

## **6. CONCLUSION**

This audit has provided a substantial level of assurance as internal control, governance and management of risk is sound however there are minor elements of weakness which put some system objectives at risk. There are potential opportunities for savings to be achieved through maximising the utilisation of the current pool car fleet.

There were a number of findings identified as part of the audit and these, together with agreed management actions, are set out in the attached action plan. There were 4 actions that will be reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to Integrated Transportation staff and management, Resourcelink development team, pool car administrators and pool car users for their co-operation and assistance during the Audit and the preparation of the report and action plan.

**APPENDIX 1 - POOL CAR ADMINISTRATOR QUESTIONNAIRE SUMMARY**

A pool car administrator from each of the 5 main areas, being Lochgilphead, Dunoon, Helensburgh, Campbeltown and Oban, were asked to answer 8 questions with regards to the Pool car booking process. A summary of the questions and responses are noted below:

Question	Summary of response
What happens when someone calls to make booking?	This was standard across the 5 areas: <ul style="list-style-type: none"> <li>• Check booking system for car availability on requested day/time</li> <li>• Book if car available (licence checks may be requested at this stage if new user)</li> <li>• Details taken and input to booking system</li> <li>• Automatic email sent to requester to confirm booking</li> </ul>
What fields are entered within booking system – field names?	This was standard across the 5 areas: <ul style="list-style-type: none"> <li>• Name of person booking</li> <li>• Name of User (if person booking on their behalf)</li> <li>• Purpose (Destination)</li> <li>• Date and length of time required</li> </ul>
What happens when you are on leave, can someone else book this/these cars? Do you use call groups/forwarding on MS Lync and leave a text message on the system?	In each of the areas there are numerous contacts for booking pool cars; however this is not documented on the list available on the HUB. 3 areas operate a shared inbox where pool car requests can be sent. Call forwarding is used infrequently across the areas.
How is car allocated if multiple requests received?	2 administrators allocate on a ‘first come, first served’ basis, 3 would allocate depending on the length of journey – with the furthest journey given precedence.
Do you advise caller if other users are attending same destination?	4 of the 5 administrators would advise users of other users going to the same destination on the same day. Once advised, it is the responsibility of the requester to arrange for the car share. One administrator advised that they would not usually notify users when another pool car is going to the same destination.
If car is showing as booked on the system, do you get calls asking where they are going so that users may have opportunity to share travelling?	One area receive calls from staff travelling to training courses to check if any pool cars are booked for the same purpose. This does not usually happen in the 4 other areas.
Do you operate a cancellation list?	2 of the 5 administrators operate a cancellation list.
Are licence checks undertaken? How often? What prompts this?	3 administrators carry out licence checks every 6 months. One administrator undertakes licence checks on an annual basis and one undertakes licence checks on new users only.

**APPENDIX 2 – POOL CAR USERS QUESTIONNAIRE SUMMARY**

<b>Pool Car Protocol</b>	Yes	No	Other (no answer /both)
1. Are you aware of the Council's pool car protocol?	91%	7%	2%
2. Before booking a pool car do you consider the alternative options to travel? (for example; telephone/video conferencing or car sharing)	100%	0%	0%
3. Are you aware that employees must seek authority from the appropriate manager if they wish to use their own car when a pool car is available?	69%	31%	0%
4. Are you aware that in situation where two booking are being made for the same time, longer journeys should have priority over shorter journeys?	70%	30%	0%
<b>Booking of Pool Cars</b>			
1. Have you found the booking system calendar to be kept up to date?	87%	6%	7%
2. Are you asked to provide your destination when booking a pool car?	94%	4%	2%
3. When booking a pool car, has the opportunity to car share ever been identified? (e.g. multiple employees travelling to a training course)	65%	33%	2%
4. Would you request to be put on the cancellation list where pool car is unavailable for booking?	63%	33%	4%
5. Do you feel there are a sufficient number of pool cars available to meet demand in your area?	43%	54%	4%
<b>General Use of Pool Car</b>			
1. When picking up a pool car, has the pool car always been available at the agreed time and place?	81%	19%	0%
2. When using pool car(s), have you found the state of the pool car(s) to be in an acceptable condition? (E.g. clean, suitably fueled)	41%	59%	0%
3. Have you been asked to provide a driving licence check to your local pool car administrator?	96%	4%	0%

**APPENDIX 3 ACTION PLAN**

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
<b>1. Pool Car Usage</b>		<b>High/ Medium or Low</b>		
Potential opportunities exist to maximise the use of pool cars.	Failure to generate savings leads to ineffective use of Council resources resulting in poor value for money and damage to reputation.	High	<b>Development of a business case to explore opportunities for efficiencies/ promote increased usage and issue appropriate guidance.</b>	<b>Transformation Board</b>  <b>30 June 2017</b>
<b>2. Driving Licence Checks</b>		<b>High/ Medium or Low</b>		
Driving licence checks were inconsistent across some areas.	Failure to verify licence validity may lead to issue of pool cars to unlicensed drivers increasing risk to other road users and Council property resulting in reputational damage.	High	<b>Management to issue instructions to all administrators with regards to licence checks.</b>	<b>Integrated Transport Manager</b>  <b>Complete</b>

<b>3. Management Information/Analysis</b>		<b>High/ Medium or Low</b>		
Limited analysis is undertaken in respect of usage, journey patterns and general management information.	Limited analysis of records may lead to ineffective decision making resulting in failure to achieve best value.	Medium	<b>Will be considered as part of the Business Case prepared for Action 1.</b>	<b>Transformation Board  30 June 2017</b>
<b>4. Fuel Charge verification</b>		<b>High/ Medium or Low</b>		
There is no verification between fuel charges applied to the Council and actual volume of fuel purchased.	Failure to perform verification may lead to charges being applied incorrectly resulting in financial loss.	Medium	<b>A verification or independent control check should be implemented to verify charge.</b>	<b>Fuel System Support Assistant  30 June 2017</b>



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# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

<b>CUSTOMER DEPARTMENT</b>	<b>COMMUNITY SERVICES</b>
<b>AUDIT DESCRIPTION</b>	<b>RISK BASED AUDIT</b>
<b>AUDIT TITLE</b>	<b>Support to Third Sector Organisations via grant distribution</b>
<b>AUDIT DATE</b>	<b>FEBRUARY 2017</b>

2016/2017



## **1. BACKGROUND**

A review of Support to Third Sector Organisations via grant distributions has been planned as part of the 2016/17 Internal Audit programme.

The Third Sector has a direct impact on the growth of Argyll and Bute's economy, the wellbeing of its citizens and the improvement of its public services. The Third Sector comprises of community groups, voluntary organisations, charities, social enterprises, co-operatives and individual volunteers and has an important role in helping Argyll and Bute Council achieve its purpose of creating a more successful area with opportunities for all to flourish, through achieving sustainable economic growth.

At a local level the relationship between the Council and the Third Sector is extremely important given the role of the Third Sector in Community Planning.

At the Policy and Resources Committee of 15<sup>th</sup> December 2016 a number of changes were agreed in relation to the process of grant allocation including; opening the scoring of grant applications to a panel of Community members overseen by the Community Development Officer with recommendation to Area Committees and extending the criteria to grant funding to allow Community Councils and Parent Councils to apply. The audit will focus on grant applications made prior to the introduction of the new processes.

Monies available to be distributed to Third Sector Organisations during 2016/17 is £126k which is split equally between the 4 areas. This is planned to be reduced to £112k in 2017/18 and £98k in 2018/19 as part of Service Choices.

## **2. AUDIT SCOPE AND OBJECTIVES**

- Review policies and procedures
- Review a sample of Third Sector grant payments and carry out a walk through test to assess adequacy of controls, including review of reporting arrangements and any post evaluation activity.

Controls included:

- Authority – Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice
- Occurrence – Sufficient documentation exists to evidence compliance with policies, procedures
- Completeness – Policies and procedures are aligned and all required documentation is accurately and fully maintained
- Measurement – Policies and procedures are in line with requirements of agreed policies
- Timeliness – Policies and procedures are regularly reviewed and updated as necessary
- Regularity – Documentation is complete, accurate and not excessive and is compliant with the data retention policy. It is stored securely and made available only to appropriate members of staff

### 3. RISKS CONSIDERED

- No corporate policy in place for funding of Third Sector Organisations
- Reputational damage to the Council
- Insufficient support given by Council to Third Sector Organisations
- Insufficient controls in place for grant awards
- Purpose of grant funding is not achieved

### 4. AUDIT OPINION

The level of assurance given for this report is Substantial

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of

	residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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

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

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

The following findings were generated by the audit:

### Review policies and procedures

- There was no evidence of a formal policy and procedures document.
- Grant applications are currently considered on a twice yearly basis in April and August by each of the 4 Area Committees. A review of Area Committee papers evidenced this and highlighted that an upper award limit of £4,000 to any one organisation in any one financial period (unless exceptional circumstances shown) has been agreed. All grants reviewed were within limits and appropriately authorised and agreed.
- It was evidenced that a Grant Application pack is in place which acts as a template for all grant applications from Third Sector Organisations. The template details all of the information and documentation which must be submitted by all applicants before any application will be considered. A review of the Grant Application pack found it to be adequate and included the following areas;
  - Date application must be submitted for decision at specific Area Committee
  - Council contact details for specific area
  - Amount of maximum grant award available
  - Financial documentation to be included within application
  - 13 points outlining the various criteria necessary for grant award
  - Guidance in relation to priority areas in terms of Community benefit
  - Documentation checklist
  - Grant Application form to be filled in by the organisation

Assessment Process

- A scoring matrix is in place to assess the eligibility of each grant application. Criteria includes community impact, sustainability and finance. The scoring matrix was found to be adequate however it was noted that there is inconsistent application of scores across area's in respect of conversion to award value, for example;

<b>Area</b>	<b>Score from matrix</b>	<b>First time Applicant</b>	<b>Repeat Applicant</b>
H&L	6 or above	Full funding minus £200	Minimal reduction on requested amount or amount matching previous award where no additional developmental aspects have been identified.
MAKI	6 or above	Full funding unless reaching £4k max	80% unless reaching £4k max
OLI	6 or above	Full amount	Full amount
B&C	6 or above	No policy evident	No policy evident

- Documentation reviewed included a grant assessment form which is completed by the relevant departmental development officer. The grant assessment form covers the following criteria;
  - Whether Single Outcome Agreement (SOA)/Local Outcome Improvement Plan (LOIP) criteria is being addressed by the project.
  - Financial requirements have been addressed with relevant documentation forwarded

- A number of general criteria (for example; is the project consistent with Council objectives and how many people will benefit from the grant, etc.)
- Applicant has prescribed policy and procedures in place, e.g. clear recruitment policy, equal opportunities policy
- The link between the scoring matrix and grant assessment form is not clear in respect as to how it influences decision award.

Review a sample of Third Party grant payments and carry out a walk through test to assess adequacy of controls, including review of reporting arrangements and any post evaluation activity.

- A sample of 5 grant applications from each of the 4 Area Committees was selected at random and walk through testing was carried out in order to verify that current policy and procedures have been adhered to. The review found that whilst grants applications had generally been adequately assessed and grants awarded there was a number of weaknesses in regard to completion of documentation and authority. A summary of the results are shown below:

<b>Test area</b>	<b>Comments</b>
Grant Applications available for review and adequately completed	<ul style="list-style-type: none"><li>● All 20 applications available for review and complete</li></ul>
Scoring Matrix	<ul style="list-style-type: none"><li>● Scoring Matrix completed for all applications</li><li>● No evidence of who carried out the scoring</li></ul>
Assessment document	<ul style="list-style-type: none"><li>● Audit trail incomplete as a number of sections have been omitted or partly completed</li></ul>
Financial Checks	<ul style="list-style-type: none"><li>● No evidence of check carried out on grants less than £2,000</li></ul>
Grant payments	<ul style="list-style-type: none"><li>● Values agreed in 18 of 20 payments made. Insufficient documentation to support variations in respect of the 2 remaining payments. (Variation to award is £500 and £2,300)</li><li>● All payments had been made timeously and authorised appropriately</li></ul>

### Reporting arrangements

- Applications had been considered by the relevant Area Committee and included the undernoted.
  - Previous grant awards if applicable for application
  - Total project cost
  - Amount requested
  - Amount recommended
  - Rationale for grant application

### End of Project Monitoring

- Area Committees undertake an annual review on whether the grant awarded has achieved the outcomes specified in the original application. It was evidenced, where projects were completed, that an End of Project Monitoring report had been submitted (6) and arrangements are in place to ensure that once the remaining projects are complete an End of Project Monitoring report will be submitted on a timely basis.

## **6. CONCLUSION**

This audit has provided a Substantial level of assurance. Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale. There were a number of findings identified as part of the audit and these, together with agreed management actions, are set out in the attached action plan. There was 1 action which will be reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

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



**APPENDIX 1          ACTION PLAN**

<b>Findings</b>	<b>Risk Impact</b>	<b>Rating</b>	<b>Agreed Action</b>	<b>Responsible person agreed implementation date</b>
<b>1. Procedural Document</b>		<b>High/ Medium or Low</b>		
There was no evidence of a formal policy and procedures document.	Failure to document formal policy and procedures lead to inconsistent practice and potential risk of error resulting in potential loss or error	Medium	<b>Policy and procedure document to be completed.</b>	<b>Community Planning and Community Development</b>  <b>31 December 2017</b>



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## Argyll & Bute Council

2016-17 Annual Review of Risk Management Arrangements

*Draft for discussion*

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# 1 Executive Summary

## 1.1 Audit objectives

Effective risk management is a key element of the Council's overall governance arrangements and ensures that the systems of internal control remain effective.

The Audit Committee has a role to promote risk management and provide reasonable assurance that arrangements are effective. We therefore agreed that an independent review of risk management arrangements will be included as part of the annual internal audit programme of work.

In prior years, we have provided assurance about the management of operational risks. During the period of our audit, a significant review of the Council's Planning and Performance Management Framework was underway, which we anticipate will necessitate changes to the operational risk management arrangements. Our review has therefore focused on the strategic risk register, but we note the implications for operational risk management.

The key objective for the audit is to ensure that the Council is not exposed to an unacceptable level of risk as a result of failing to adequately determine its risks and monitor changes in the Council's risk profile. To maintain independence, the review was carried out by Grant Thornton, the Council's internal audit strategic partners.

## 1.2 Risks

Our review considered the way in which strategic and operational risks are managed at the Council. We considered the following risks as part of the review:

- Roles and responsibilities for risk management are not clear leading to ineffective corporate governance and resulting in confusion over lines of accountability.
- Current arrangements fail to identify new and emerging risks resulting in potential exposure to unacceptable risk.
- Arrangements to manage and mitigate risks are ineffective leading to inappropriate allocation of resources.

## 1.3 Key findings

The audit generated the following key findings:

- The Risk Management process is well embedded and understood across the Council. Training was provided to elected members on the process and understanding risk appetite in December 2015.
- The SMT regularly review and update the Strategic Risk Register, including the identification of emerging risks, key mitigating actions and planned actions for the future.

- The Policy and Resources Committee receive regular reports on key financial risks, to support the monitoring of budget and financial performance.
- The Argyll & Bute Integrated Joint Board has developed its own Risk Management arrangements, but there is not yet clarity on how the risk register will be scrutinised by the Council.
- There is scope to improve the structure of the register to clarify the controls in place to mitigate the strategic risks, and the status of mitigating actions.
- Any changes to the PPMF must ensure that current and emerging risks are captured and monitored on a regular basis.

#### 1.4 Audit Opinion

Overall, we found that internal controls in place to support risk management are generally well designed and operating in practice. As a result, the level of assurance given for this report is **Substantial**. Our definitions for the levels of assurance are included in Appendix A.

We made three recommendations:

- The Strategic Risk Register should be explicit about which risks continue to be actively managed, and those that are being tolerated. Where risks are being treated, the actions should be framed in SMART terms to ensure that accountability is clear for mitigating actions.
- The Council should agree which committee will scrutinise the IJB's risk register and mitigating actions.
- Any changes to operational risk management arrangements should be supported by training and guidance to ensure that service level risks continue to be identified and managed effectively.

#### 1.5 Acknowledgement

Our audit involved discussions with a range of individuals across the Council, including the Chief Internal Auditor, Performance and Improvement Team, and Heads of Service. We would like to take this opportunity to thank those staff for their assistance and co-operation during the course of the audit.

## 2 Detailed Findings

1.	Medium	Structure of the Strategic Risk Register	
Finding and Implication		Proposed action	Agreed action ( <i>Date / Ownership</i> )
<p>The Council's Strategic Risk Register has remained relatively stable over a number of years, but the approach to treating risks has changed.</p> <p>The Council's Risk Management Guidance outlines the alternative approaches to the management of each risk, including treat, tolerate, transfer and terminate. However, the approach taken to each risk is not explicit within the register.</p> <p>Where the approach is to treat the risk, the Strategic Risk Register has designated risk owners, but actions are not framed in SMART terms with due dates, meaning that there is limited accountability for the impact of mitigating actions.</p> <p><b>Risk Implication:</b> There is a risk that Council resources may not be targeted at the most effective risk mitigation actions. There is also a risk that effective scrutiny is not possible due to a lack of clarity about approach, deadlines and accountability.</p>		<p>We have included a suggested structure change for the Strategic Risk Register in Appendix B. The key changes proposed are:</p> <ul style="list-style-type: none"> <li>■ Use of status symbols to highlight where risks exceed the risk tolerance levels.</li> <li>■ Current mitigations should reflect the key internal controls in place consistently that help to reduce the impact or likelihood of the risk materialising.</li> <li>■ The register should include the approach to managing the risk, including treat, tolerate, transfer and terminate.</li> <li>■ Planned mitigating actions should be specific, should have a named owner, and a due date.</li> </ul>	<p>SMT are currently reviewing the structure and content of the SRR. Where appropriate, consideration will be given to the proposed actions.</p> <p>Date Effective: 30<sup>th</sup> June 2017</p> <p>Owner: Head of Strategic Finance</p>

<b>2.</b>	<b>Medium</b>	<b>Argyll &amp; Bute Integrated Joint Board</b>
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<b>Finding and Implication</b>	<b>Proposed action</b>	<b>Agreed action (Date / Ownership)</b>
<p>In April 2016, the Argyll &amp; Bute Integrated Joint Board became operational, and therefore play a role in directing many of the Council's services. The IJB has agreed its own risk management policy and risk register. The policy allows for reporting of the risks to the Council on an annual basis, but it is not yet clear which committee should consider the IJB risks.</p> <p><b>Risk Implication:</b> There is a risk that the Council may not have a full understanding of risks impacting its priorities and social work responsibilities.</p>	<p>The Council should ensure that the IJB risk register is subject to full Committee scrutiny.</p>	<p>The performance review and scrutiny committee will consider IJB Risk Management activity alongside.</p> <p>Date Effective: 30<sup>th</sup> June 2017</p> <p>Owner: Chief Officer Integration</p>



3.	Medium	Changes to the PPMF	
Finding and Implication		Proposed action	Agreed action ( <i>Date / Ownership</i> )
<p>The Chief Executive has launched a significant review of the PPMF. As a result of the review, there are proposed changes to the approach taken to identify current and emerging operational risks. The current approach is based on risks to achieving priorities within the Service Plan.</p> <p>The new approach is likely to be more externally-focused, to consider the risks to the community rather than internal processes. This means that an alternative structure will be required to ensure that each service considers current and emerging risks on a consistent basis.</p> <p><b>Risk Implication:</b> There is a risk that changes to the risk identification process may impact the structure and rigour of identification of operational risks.</p>		<p>Any changes to the operational risk management process should be supported by training and guidance for staff.</p>	<p>Policy and Guidance documentation will be updated to reflect any revisions to operational risk management processes.</p> <p>Date Effective: 30<sup>th</sup> June 2017</p> <p>Owner: Head of Strategic Finance</p>

## A Definition of internal audit ratings

### Overall Level of Assurance

Every audit report is graded with an overall assurance rating. An explanation of each grading is given below:

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

### Audit issue rating

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



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

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

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




## B Example of revised structure of Strategic Risk Register

The table below outlines worked up examples of a revised structure for the Strategic Risk Register.

Description of risk	Potential consequences	Li	Im	Score	Tol	Status	Internal Controls	Treatment Actions	Action owner	Due Date	Approach
Projected population decline and potential economic decline and failure to identify relevant factors causing the decline and the need to develop strategies and action plans to address that decline in an effective manner	<p>Sustained economic decline and population loss, particularly amongst our economically active generations results in a circle of decline with reduced employment, lower earnings, failing businesses and poor perception of the area.</p> <p>Population decline reduces Govt funding and reduces scope for efficiencies and economies of scale. Combined population and economic decline may increase the need and costs for services.</p>	4	4	16	12		<p>Single Outcome Agreement and LOIP focused on population and economic recovery</p> <p>Strategic Economic Development Action Plan (EDAP)</p> <p>Strategic Infrastructure Plan</p>	<p>Deliver Growth Funds</p> <p>Implementation of local development plans</p> <p>Funding of £XXk levered in from external sources to support economic development</p>	<p>XX</p> <p>XX</p> <p>XX</p>	<p>31 March 2017</p> <p>30 June 2017</p> <p>30 Sept 2017</p>	Treat
The arrangements in place for civil contingencies and business continuity are not effective	Ineffective management of major emergencies affecting Council services and communities in Argyll & Bute in response to a major	2	3	6	6		<p>Suite of emergency plans and procedures in place and updated regularly</p> <p>Ongoing training programme</p> <p>Peer review of major exercises</p>				Tolerate

	<p>emergency.</p> <p>Incident and recovery phase of an emergency lead to greater inconvenience and hardship and a longer timescale for return to normal.</p> <p>Council unable to effectively deliver its own services as a result of an emergency.</p>						<p>undertaken</p> <p>West of Scotland local resilience partnership in place to share intelligence</p> <p>Critical Activity Recovery Plans in place for all key activities and updated on an annual basis</p> <p>Emergency Planning Test events.</p>				
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**Status key:**

	Risk level equals or lower than risk tolerance
	Risk level exceeds risk tolerance by up to 5
	Risk level exceeds risk tolerance by more than 5



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**ARGYLL & BUTE COUNCIL  
STRATEGIC FINANCE**

**AUDIT COMMITTEE  
24 MARCH 2017**

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**EXTERNAL & INTERNAL AUDIT REPORT FOLLOW UP 2016 – 2017.**

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**1. EXECUTIVE SUMMARY**

- 1.1 Internal Audit document the progress made by departmental management in implementing the recommendations made by both External Audit and Internal Audit. This report and attached appendices are the results from a review performed by Internal Audit for recommendations due to be implemented by 31 January 2017.
- 1.2 The process requires departmental Executive Directors assigning a 3<sup>rd</sup> tier officer to act as the sole contact for the follow up of both external and internal recommendations. The contact role involves updating both the Executive Directors and Internal Audit on progress with agreed audit recommendation implementation.
- 1.3 Appendix 1 is a statistical summary of all agreed recommendations arising from National, External and Internal Audit reports by department. Detailed is the number of recommendations due as at 31 January 2017, the number implemented, the number of agreed future recommendations and their status, e.g. on course etc.
- 1.4 Appendix 2 provides a summary as at 31 January 2017, of all outstanding recommendations from National, External and Internal Audit reports by department and service. Detailed is the report name along with the weakness identified, agreed management action, revised date, any previous implementation dates reported to the Audit Committee management comment and Pyramid status

**2. RECOMMENDATIONS**

- 2.1 The audit committee note the content of this report.

**3. CONCLUSION**

- 3.1 Of the recommendations due for completion by 31 January 2017, 17 have been completed. Internal Audit is satisfied with the status of the remaining 6 recommendations being delayed but rescheduled. Good progress is being made on the recommendations due after 31 January 2017 with 7 completed early and the remaining 22 showing on course. Further programmed testing of post follow-up actions will be undertaken via the continuous monitoring programme.

**4. IMPLICATIONS**

4.1	Policy:	None
4.2	Financial:	None
4.3	Legal:	None
4.4	HR:	None
4.5	Equalities:	None
4.6	Risk:	Failure to implement agreed actions leads to financial, physical and reputational loss and adversely impacts organisational objectives.
4.7	Customer Service:	None

**Kevin Anderson  
Chief Internal Auditor  
24 March 2017**

**For further information please contact:**  
Kevin Anderson, Chief Internal Auditor (01369 708505)



## APPENDIX 1

## SERVICE SUMMARIES

## RECOMMENDATIONS DUE 01 NOVEMBER 2016 – 31 JANUARY 2017

SERVICE	Complete	Delayed but rescheduled	Total
CHILDREN & FAMILIES	2	1	3
CUSTOMER & SUPPORT SERVICES	6	0	6
ECONOMIC DEVELOPMENT	2	0	2
EDUCATION	2	0	2
FACILITY SERVICES	2	0	2
IMPROVEMENT & HR	1	1	2
ROADS & AMENITY SERVICES	0	4	4
STRATEGIC FINANCE	2	0	2
<b>TOTAL</b>	<b>17</b>	<b>6</b>	<b>23</b>

## RECOMMENDATIONS DUE AFTER 31 JANUARY 2017

SERVICE	Complete	On Course	Total
CHILDREN & FAMILIES	4	2	6
COMMUNITY & CULTURE	0	1	1
CUSTOMER & SUPPORT SERVICES	1	3	4
ECONOMIC DEVELOPMENT	1	0	1
EDUCATION	1	1	2
FACILITY SERVICES	0	2	2
ROADS & AMENITY SERVICES	0	9	9
STRATEGIC FINANCE	0	4	4
<b>TOTAL</b>	<b>7</b>	<b>22</b>	<b>29</b>

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# Recommendations Overdue 31 January 2017

ACTION PLAN NO:	WEAKNESSES/GOOD PRACTICE: GRADE:	AGREED ACTION:	DATES:	COMMENT/EXPLANATION:	PYRAMID: RESPONSIBLE OFFICER:
<b>DEPARTMENT CUSTOMER SERVICES</b> <b>SERVICE IMPROVEMENT &amp; HR</b> <b>REPORT NAME LEARNING AND DEVELOPMENT – HR TRAINING</b>					
9	The training module has not been included in the upgrade of Resourcelink 4. <b>MEDIUM</b>	The training module will be implemented as a key element of Resourcelink 5	31 March 2017 <b>30 April 2017</b>	Planned upgrade work on Resourcelink System which will require downtime during March has meant that the timescales for the implementation have been put back slightly until 15th April. Currently, on track for this revised timescale.	<b>Delayed but rescheduled</b> Head of Improvement & HR
<b>DEPARTMENT DEVELOPMENT &amp; INFRASTRUCTURE SERVICES</b> <b>SERVICE ROADS &amp; AMENITY SERVICES</b> <b>REPORT NAME CAPITAL PROJECTS - DESIGN PROTOCOLS 2015/16</b>					
1	There was no evidence of any formal design protocols being place for either Roads projects or Bridge strengthening projects. <b>HIGH</b>	Develop consultation guidelines for Capital projects. This will include identification of key stakeholders and responsibilities regarding communication. Create plan to inform/train staff as appropriate.	31 December 2016 <b>31 March 2017</b>	Rescheduled due to competing priorities of workload.	<b>Delayed but rescheduled</b> Network & Standards Manager
2	Inconsistencies in recording of consultation documentation. <b>MEDIUM</b>	Develop appropriate document storage for capital project consultations, taking into account the requirements of the Information Asset Register.	31 December 2016 <b>31 March 2017</b>	Rescheduled due to competing priorities of workload.	<b>Delayed but rescheduled</b> Network & Standards Manager

<b>ACTION PLAN NO:</b>	<b>WEAKNESSES/GOOD PRACTICE: GRADE:</b>	<b>AGREED ACTION:</b>	<b>DATES:</b>	<b>COMMENT/EXPLANATION:</b>	<b>PYRAMID: RESPONSIBLE OFFICER:</b>
3	There was a lack of an audit trail for evidencing consultation with External/Internal bodies <b>MEDIUM</b>	Develop checklist to ensure all stakeholders consulted with appropriately, and evidence all communication, in accordance with the consultation guidelines for capital projects.	31 December 2016 <b>31 March 2017</b>	Rescheduled due to competing priorities of workload.	<b>Delayed but rescheduled</b> Network & Standards Manager

**REPORT NAME**      **REVIEW OF DISPOSAL OF EQUIPMENT <£10K - 2015/16**

6	Lighting Stores Staff are unaware of any procedures for removal of obsolete stock and therefore stock is retained indefinitely. <b>MEDIUM</b>	Processes will be developed and documented in a procedure note to give clear guidance to management and staff when disposing of assets in order to achieve best value and free up storage space.	30 September 2016 31 December 2016 <b>28 February 2017</b>	Delayed due to staff absence and competing priorities of workload.	<b>Delayed but rescheduled</b> Head of Roads & Amenity Services
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**DEPARTMENT**    **IJB SERVICE UNITS**  
**SERVICE**        **CHILDREN & FAMILIES**

**REPORT NAME**      **CRIMINAL JUSTICE - NATIONAL OUTCOMES & STANDARDS 2016/17**

1	There is no documented procedure in terms of the governance and reporting processes. <b>MEDIUM</b>	Single document to be produced (and annually reviewed) that describes the processes supporting the CJ performance and reporting arrangements.	30 September 2016 31 December 2016 <b>31 March 2017</b>	Unable to progress action due to other priorities and the programme having to be updated due to changes with the Partnership.	<b>Delayed but rescheduled</b> Business Support Manager
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**INTERNAL AUDIT ANNUAL PLAN 2017/18**

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**1. SUMMARY**

- 1.1 This report introduces the Internal Audit Annual Audit Plan for financial year 2017/18.

**2. RECOMMENDATIONS**

- 2.1 To agree and approve the Internal Audit Annual Plan 2017/18.

**3. DETAILS**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) stipulate that the Council's Internal Audit plan must be risk based and focused on governance, risk and controls to allow the Chief Internal Auditor to provide an annual opinion on the Council's internal control framework, based on the work undertaken during the year. This annual opinion informs the Annual Governance Statement.
- 3.2 The Annual Audit Plan is shown in Appendix 1. The audits detailed in the audit plan have been selected using a risk based assessment of our audit universe which is essentially all of the auditable areas within the Council.
- 3.3 Factors used in the risk assessment process included the potential impact on the Council's corporate priorities, financial materiality, links to strategic risks, key changes within the operating environment, results of previous audit activity, a review of complaints register and assurance received from other sources.
- 3.4 Consideration was also given to the requirement to provide an annual assurance statement, volume of transactions and impact on the Council's framework for internal control.

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

- Cross-cutting reviews
  - Service department reviews
  - Verification reviews
  - Continuous monitoring programme
- 3.5 Cross cutting reviews include auditable areas which are non-specific to an individual department or service activity and which are of a corporate or organisational wide focus
- 3.6 Service department reviews include auditable units within the audit universe which are specific to an individual department

- 3.7 Internal Audit undertake a number of verification reviews throughout the year. These reviews are primarily focused on testing and verifying areas such as grant claims, performance indicator submissions and compliance with sector regulation or licensing.
- 3.8 Our continuous monitoring programme includes a number of auditable units which are subject to testing on a regular recurring basis with control weaknesses reported by exception.
- 3.9 An indicative outline scope is given for each of auditable units. Full terms of reference will be discussed and agreed with relevant Head of Service.
- 3.10 The plan is based on an estimated available 970 audit days with suitable contingency factored in. The plan remains fully flexible, to accommodate changes in the Council's risk profile and /or emerging risks.

#### **4. CONCLUSION**

- 4.1 The Internal Audit Annual Plan is risk based and is aligned to the Council's long term outcomes, corporate objectives and strategic risk register. The plan incorporates continuous monitoring and verification activity sections.

#### **5. IMPLICATIONS**

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

For further information please contact Internal Audit (01369 708505)

**Kevin Anderson**  
**Chief Internal Auditor**  
**24 March 2017**

#### **Appendices:**

##### **1. Internal Audit Annual Plan 2017/18**

## Appendix1. Audit Plan 2017/18

INTERNAL AUDIT ANNUAL PLAN 2017/18			Planned days	High Level Scope
Department / Service Area	Sub Service	Topic		
<b>CROSS CUTTING</b>				
Council	Organisational Culture		30	Providing Assurance over organisational Culture and Behaviours
	Fees and Charges		30	Review / application of Fees and Charges
	Risk Management		20	Review of Risk Management arrangements including Assurance Mapping
	Performance Management		20	Arrangements for Performance reporting
Chief Executives /Departmental	Strategic Finance	VAT	10	Arrangements for compliance with HMRC VAT rules
		Earmarked Reserves	10	Review of Earmarked Reserves – Policy, Controls and monitoring
<b>Total Cross Cutting</b>			<b>120</b>	
<b>CUSTOMER SERVICES</b>				
Customer and Support Services	Procurement	Catering Services	20	Arrangements for procurement of supplies and services
Customer and Support Services	ICT	Service Levels Agreements	20	Review of External and Internal Service Level agreements
Customer and Support Services	ICT	Systems Development	20	User Testing Risk Identification protocols
Governance and Law	Governance	Records Management Plan	20	Compliance with legislative requirements and key control review
Improvement and HR	Human Resources	Recruitment and Selection	20	Compliance with legislative /policy requirements and control review
<b>Total Customer Services</b>			<b>100</b>	
<b>HEALTH AND SOCIAL CARE PARTNERSHIP – Former Council Service Areas</b>				
Adult Services	Income Maximisation	Charging Orders	20	Compliance with legislation and policies
Adult Services	Older People Services	Compliance with National Minimum wage requirements	20	Monitoring , compliance & reporting arrangements
Adult Services	Mental Health	Client Accounts, Cash and Banking	20	Control Environment

## Appendix1. Audit Plan 2017/18

<b>Total Health and Social Care Partnership</b>			<b>60</b>	
<b>COMMUNITY SERVICES</b>				
Community and Culture	Housing	Strategic Housing Fund	20	Lending /Award Control environment
Community and Culture	Leisure	Leisure Management booking system	20	System control and functionality, Interface protocols
Education	Early Years	Statute and Council Policy	20	Policies and Procedures
	Management Information Systems	SEEMIS	20	Access, Functionality and Support
	Psychological Services	Statute and Council Policy	20	Policies and Procedures
	School Support	Communication and Information	20	Review of Education Management Circulars
<b>Total Community Services</b>			<b>120</b>	
<b>DEVELOPMENT AND INFRASTRUCTURE SERVICES</b>				
Fleet, Waste and Infrastructure	Piers and Harbours	Management Arrangements	20	Compliance with relevant legislation /safety code. Review governance arrangements
Fleet, Waste and Infrastructure	Waste Management	Sustainability of Waste Delivery Model	20	Review Reporting protocols including financial management and modelling arrangements
Planning and Regulatory Services	Trading Standards	Statute and Council Policy	20	Administration and controls surrounding the application of statute and Council policy
Roads Management and Maintenance	Street Lighting	Street Lighting	20	Policies and Procedures and systems of work
Marine and Airports	Airports	Operating Manual	10	Compliance with Aerodrome Operating Manual
Amenity Services	Crematoriums	Compliance with National Guidance	20	Compliance and Internal Control Environment
Economic Development	Economic Growth	Rural Resettlement Fund	10	Financial Management controls
<b>Total Development and Infrastructure</b>			<b>120</b>	
<b>Continuous Monitoring Programme</b>	Arrangements of prevention /detection of Fraud. Anti-Fraud Strategy. Serious Organised Crime.		20	Policy review Participation in NFI
	Budgeting	Cipfa Matrix Testing	20	Internal Control Environment



## Appendix1. Audit Plan 2017/18

	General Ledger	Cipfa Matrix Testing	20	Internal Control Environment
	Creditors	Cipfa Matrix Testing	20	Internal Control Environment
	Debtors	Cipfa Matrix Testing	20	Internal Control Environment
	Payroll	Cipfa Matrix Testing	30	Internal Control Environment
	Treasury Management	Cipfa Matrix Testing	20	Internal Control Environment
	Council Tax and NDR	Cipfa Matrix Testing	20	Internal Control Environment
	Establishment Visits	School Funds Imprest Accounts	30	Internal Control Environment
	Follow –up	Sample Testing	30	Compliance
<b>Total Continuous Monitoring</b>			<b>230</b>	
Verification Activity /Short Audits	Leader & Flag	File and Claim review	10	Evidence Compliance with award Criteria
	LGBF	Accuracy of Submission	10	Accuracy of submission
	Gifts and Hospitality	Recording and Reporting Arrangements	15	Compliance with Policy & Internal Control Environment
	Travel and Subsistence	System and Manual Claims	15	Authorisation and Controls
	Stores and Stock Control	Stores and Stock Control	15	Access, security and record keeping
	Project verification	Grant claims	15	Verification & sign off
<b>Total Verification</b>			<b>80</b>	
Internal Audit Management			100	Planning & reporting Risk Management Service Support and Advice Project Support and Advice
Contingency			40	Investigations & Ad hoc requests
<b>Total Available Audit Days</b>			<b>970</b>	

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# Argyll and Bute Council

Annual Audit Plan 2016/17

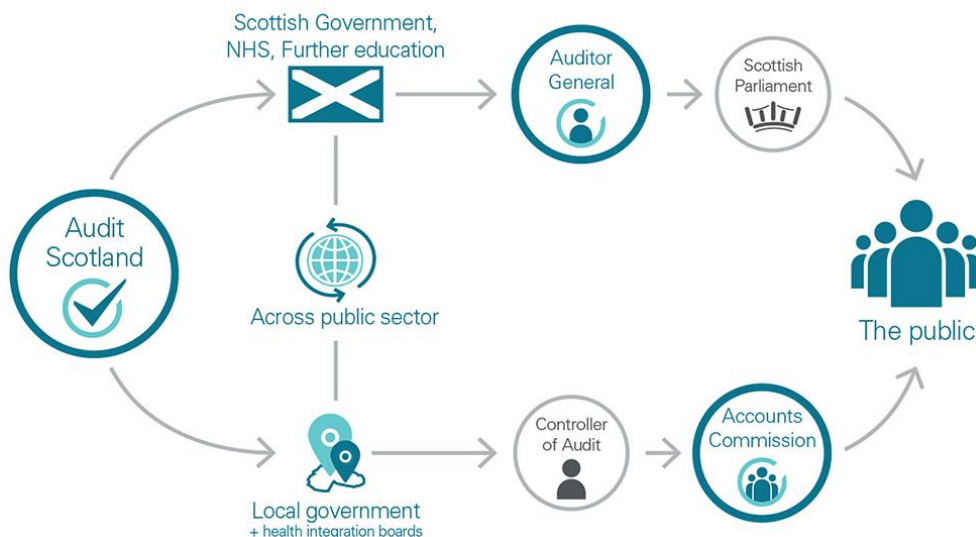


Prepared for Argyll and Bute Council  
March 2017

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Argyll and Bute Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

Audit Risk	Management assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Detailed testing of journal entries.</p> <p>Review of significant accounting estimates and evaluation of the impact of any variability in key assumptions.</p> <p>Focused testing of accruals and prepayments.</p> <p>Substantive testing of transactions after the year end to confirm income and expenditure has been accounted for in the correct financial year.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p><b>2 Risk of fraud over income and expenditure</b></p> <p>ISA 240 requires auditors to presume a risk of fraud where income streams in addition to</p>	<p>The council has well developed processes for authorisation, separation of duties and workflow associated with income and</p>	<p>Analytical procedures on income and expenditure streams.</p> <p>Detailed testing of revenue and expenditure transactions,</p>

Audit Risk	Management assurance	Planned audit work
<p>Scottish Government funding are significant. Argyll and Bute Council receives significant income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud that requires an audit response.</p> <p>Practice Note 10 expands the ISA240 assumption on fraud over income to aspects of expenditure. The risk of fraud over expenditure also applies to the council due to the variety and extent of its expenditure in delivering services.</p>	<p>expenditure. Clear schemes of delegation and authorised signatory databases are regularly updated. Financial systems have integral automated authorisation processes to ensure the risk of fraud is minimised.</p> <p>The annual internal audit plan includes a continuous monitoring programme of testing across income and expenditure systems.</p> <p>The council has recently established a Counter Fraud Team.</p>	<p>including cut-off testing, focusing on the areas of greatest risk.</p>
<p><b>3 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of:</p> <ul style="list-style-type: none"> <li>• non current assets (including heritage assets)</li> <li>• pension liabilities</li> <li>• provisions (including for any equal pay claims).</li> </ul> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Non current assets are professionally valued on a regular basis in accordance with a pre determined schedule.</p> <p>Pension liabilities for inclusion in financial statements are derived from valuation calculations prepared by actuaries appointed by Strathclyde Pension Fund.</p> <p>Controls are in place over provision of accurate data to valuers/ actuaries.</p> <p>Provisions reviewed by finance officers in consultation with the council's legal service.</p>	<p>Completion of 'review of the work of an expert' for the professional valuers and actuaries.</p> <p>Review of accounting estimates and pension disclosures.</p> <p>Focused substantive testing of key areas including data Argyll &amp; Bute Council provides to its actuaries.</p>
<p><b>4 Health and Social Care Integration</b></p> <p>Argyll &amp; Bute Council and NHS Highland transferred full responsibility for delegated health and social care services to the Integration Joint Board (IJB) from 1 April 2016. As a material joint venture, the council will need to include the financial results of the IJB in the group financial statements for 2016/17. There is an increased risk of misstatement as this is a new area for disclosure in the council's financial statements. There is a risk that:</p> <ul style="list-style-type: none"> <li>• transactions relating to the IJB are not correctly classified by the council</li> </ul>	<p>Management are aware of the accounting requirements for inclusion of the IJB's activities in the group statements of the council.</p>	<p>On-going discussion with officers on accounting for the IJB prior to receiving the council's unaudited financial statements.</p> <p>Obtain Assurances from external auditors of NHS Highland and of the IJB.</p> <p>Sample test income and expenditure relating to health and social care services provided to the IJB.</p> <p>Review the arrangements in place to confirm balances between the council and its IJB partners.</p> <p>Confirm whether any overspends or underspends relating to the council are accounted for in accordance</p>

Audit Risk	Management assurance	Planned audit work
<ul style="list-style-type: none"> <li>balances between the council and its IJB partners are not agreed in time for preparation of the financial statements</li> <li>overspends occur if scrutiny of partnership budgets is not effective. Any overspends by the IJB can directly impact the council's budget.</li> </ul>		with the integration scheme.
<b>Wider dimension risks</b>		
<p><b>5 Financial sustainability</b></p> <p>Councils are facing significant financial pressures with reductions in funding and the need to reconfigure services, increasing non discretionary costs, increasing demand for services and the uncertainty around the newly created IJBs.</p> <p>On 23 February 2017, the council agreed a balanced budget for 2017/18 with a surplus of £193k. Indicative budgets forecast a funding gap of £3.3 million for 2018/19 rising to £9.3 million for 2019/20. The approach to meeting the required savings has yet to be developed. This creates a financial sustainability risk for the council as the level of necessary budget savings may adversely affect the level and quality of service provision. The council has recognised this risk as part of its risk management process.</p>	<p>The council has agreed savings options through the Service Choices process which plans for estimated funding reductions by aligning available budget with council priorities.</p> <p>A Transformation Board has been established to oversee the implementation of the savings options. The group will also explore shared services and other alternative service delivery models.</p> <p>Regular monitoring and reporting on the delivery of savings options.</p> <p>Principles of medium to longer term finance strategy have been developed and agreed by members.</p>	<p>Review of the council's budget setting arrangements and its approach to medium and long-term financial planning, including any scenario planning</p> <p>On-going review of budget monitoring reports and other reports presented to members.</p> <p>On-going review of the council's financial position and its progress in achieving its planned savings.</p>
<p><b>6 Financial management - budget setting process</b></p> <p>Audit Scotland's report on 2015/16 budget setting process identified 3 areas for improvement:</p> <ul style="list-style-type: none"> <li>Members should consider circulating proposals for significant changes to the budgeting pack in advance of the council meeting</li> <li>Future budget proposals should include a clear breakdown of how a balanced budget is made up</li> <li>The process for recording officer advice and council decisions on significant items</li> </ul>	Internal audit's review of budgeting.	<p>Consideration of internal audit's review of budgeting.</p> <p>Attendance at the budget setting council meeting.</p> <p>Follow up of progress on improvement actions identified.</p>



Audit Risk	Management assurance	Planned audit work
<p>such as setting the budget should be reviewed to ensure minutes are comprehensive and transparent.</p> <p>If these actions are not implemented, there is a risk that the scrutiny of the budget setting process is ineffective.</p>		
<p><b>7 Financial management - financial reporting system</b></p> <p>There is a requirement to replace the main financial reporting system (Discoverer) by June 2017. There is a risk that this has an adverse impact on the council's financial reporting at an important stage of accounts preparation.</p>		<p>On-going review of progress.</p>
<p><b>8 Best value follow-up</b></p> <p>The Accounts Commission's Best Value report, published in December 2015, identified several areas for improvement for the council, including:</p> <ul style="list-style-type: none"> <li>• Operating in a more open and transparent way</li> <li>• Better involving communities in decision making and scrutiny</li> <li>• Taking a more innovative approach to dealing with its financial challenges</li> <li>• Continuing to seek a resolution to a number of relationship issues relating to elected members and others.</li> </ul> <p>There is a risk that the measures identified in the resulting improvement plan will not effectively address the issues raised in the report.</p>	<p>An improvement plan has been developed and agreed by members to take forward the Accounts Commission's recommendations.</p>	<p>Review of the council's leadership, governance and scrutiny processes, including the role of area committees, as part of our on-going Best Value work.</p> <p>Review of progress made against the Accounts Commission's recommendations in the 2015 Best Value report.</p> <p>Review of induction and training arrangements in place for new members.</p>
<p><b>9 Workforce planning</b></p> <p>A People Strategy for 2016-2020 was approved by the Council in September 2016. However, the strategy does not contain any detailed information regarding, for example, future projections for staff numbers.</p> <p>There is a risk that the council does not have the required capacity and skills to deliver effectively its services in the future.</p>	<p>Workforce plan are starting to be developed with discussions at service level on the required capacity and skills already taking place.</p>	<p>On-going review of progress with the preparation of a workforce plan.</p>

## Charitable Trusts Administered by Argyll and Bute Council

3. The Charities Accounts (Scotland) Regulations 2006 specify the accounting and auditing requirements for Scottish registered charities. The council acts as the sole trustee to eight individual charitable trusts. It is also in the process of creating a charitable trust to operate all council owned leisure and library services.

4. We will carry out the audit of the council's charitable trusts in parallel with the audit of Argyll and Bute Council's financial statements. There are no specific financial statements risks for these audits which we require to bring to your attention.

5. However, as reported in our report to those charged with governance on the 2015/16 audit, the majority of these trusts appear to be dormant and there may be a perception that they are not being run for the public benefit. Trustees should consider whether the trusts are meeting their objectives and whether or not they should be wound up. We also reported that trust deeds or governing documents specifying the purpose of trusts could no longer be located. We will follow up these issues as part of this year's trusts' audit.

## Reporting arrangements

6. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

7. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

8. We will provide an independent auditor's report to Argyll and Bute Council and the Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2

### 2016/17 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
Interim Audit Report	June 2017	TBC
Annual Audit Report including ISA 260 requirements	September 2017	TBC
Signed Independent Auditor's Report	September 2017	N/A

## Audit fee

9. The agreed audit fee for the 2016/17 audit of Argyll and Bute Council is £255,908. This includes £3,300 in respect of the separate audits required for the council's charitable trusts. In determining the audit fee we have taken account of the risk exposure of Argyll and Bute Council, the planned management assurances

in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package, by 30 June, 2017.

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

## Responsibilities

### Audit Committee and Accountable Officer

**11.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

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

### Appointed auditor

**13.** Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice, and are guided by the auditing profession's ethical guidance.

**14.** Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**15.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Argyll and Bute Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Argyll and Bute Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**16.** We will give an opinion on the financial statements as to:

- whether they give a true and fair view, in accordance with applicable law and the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the 2016/17 Code), of the state of the affairs of the council and its group as at 31 March 2017 and of the income and expenditure of the council and its group for the year then ended
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

## Materiality

**17.** Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Argyll and Bute Council are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

## Exhibit 3

### Materiality values

Materiality level	Amount
<b>Planning materiality</b> - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017, based on the 2015/16 audited accounts.	£3.353 million
<b>Performance materiality</b> - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£2.012 million
<b>Reporting threshold</b> - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£ 34 thousand



**18.** We review and report on other information published with the financial statements including the management commentary, annual governance statement and remuneration report. Any issues identified will be reported to the Audit Committee.

### Timetable

**19.** To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	June 2017 (TBC)
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Head of Strategic Finance	Early September 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017
Latest date for signing of WGA return	30 September 2017

## Internal audit

**20.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the Council's own internal audit service overseen by a Chief Internal Auditor.

### Adequacy of Internal Audit

**21.** Our review of internal audit concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We intend to place reliance on IA work as outlined in paragraphs 22 and 23 below.

### Areas of reliance

**22.** To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit reviews:

- Continuous monitoring programme - General ledger, Creditors, Debtors, Payroll, Treasury management, Council tax and NDR
- Procurement - PECOS, Off contract purchasing

**23.** In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- Tax incremental funding (TIF)
- Risk management - Policy and procedures
- ICT - Security of data
- Governance - FOI requests
- Health and Social Care Scheme of Integration - Governance, Development of risk management, Internal audit arrangements
- Continuous monitoring programme - Arrangements for prevention and detection of fraud, Anti fraud strategy, Serious organised crime
- Budgeting

### Audit dimensions

**24.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

## Exhibit 5

### Audit dimensions



**25.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

**26.** As part of our responsibility to report on the four audit dimensions, we have identified specific areas of proposed audit work for 2016/17 and these are outlined in paragraphs below. We will do further work over the five-year audit appointment.

### Financial sustainability

**27.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We consider:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

**28.** The Council is currently forecasting funding gaps of £3.366m for 2018/19 rising to £9.330m for 2019/20, and has still to develop savings measures to meet these. As this position presents a major risk to financial sustainability, we will closely monitor the council's budget setting process and the delivery of identified savings throughout the course of our audit.

**29.** There were no other significant financial sustainability risks identified by our planning work that we intend to undertake specific work on in 2016/17.

### Financial management

**30.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We consider:

- whether the council has arrangements in place to ensure systems of internal control are operating effectively
- whether the council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how the council has assured itself that its financial capacity and skills are appropriate
- whether the council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

**31.** Budget setting has been identified as an area where improvements could be made in the process. We will review progress made on improvements previously identified.

**32.** There were no other significant financial management risks identified by our planning work that we intend to undertake specific work on in 2016/17.

### **Governance and transparency**

**33.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We consider

- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

**34.** In September 2010 the Auditor General published a national report on the Role of Boards. The report highlighted a number of key messages on the role of boards and how they are accountable to the Scottish Government and the Scottish Parliament, board members' skills and expertise and how boards operate. In 2016/17 Audit Scotland will conduct a follow up of this report and we will contribute to the intelligence by conducting a review of local arrangements at the council.

**35.** In December 2015 the Accounts Commission reported that the council needs to operate in a more open and transparent way, and involve communities in decision making and scrutiny. We will review progress made, per the related Improvement Plan, against the Accounts Commission recommendations.

**36.** There were no other significant governance and transparency risks identified by our planning work that we intend to undertake specific work on in 2016/17.

### **Value for money**

**37.** Value for money refers to using resources effectively and continually improving services. We consider:

- the council can provide evidence that it is demonstrating value for money in the use of its resources.
- the council can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- the council can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

**38.** There were no significant value for money risks identified by our planning work that we intend to undertake specific work on in 2016/17.



## Best Value

**39.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincides with the new five year audit appointments. As such, auditors will use the framework for their audit work from October 2016.

**40.** A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value will be assessed comprehensively over the five year audit appointment, both through the on-going annual audit work, and also through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council, that will provide a rounded picture of the council overall.
- an Annual Assurance and Risks report that the Controller of Audit will provide to the Commission that will highlight issues from across all 32 council annual audit reports.
- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five year period.

**41.** The first six councils on which a BVAR will be published during the first year of the new approach are listed in [Exhibit 6](#) below. Reports will be considered by the Accounts Commission in the period between May 2017 and March 2018.

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## Exhibit 6

### 2016/17 Best Value Assurance Reports

Clackmannanshire Council	Orkney Islands Council
East Renfrewshire Council	Renfrewshire Council
Inverclyde Council	West Lothian Council

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**42.** The work planned in Argyll and Bute Council this year will focus on the council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management. The work will be integrated with that described above in these areas. It will involve us gaining an understanding of how effective the council's self evaluation processes are in driving improvement across the council. The results of this work will be reported in the annual audit report.

**43.** We will also review the council's progress in taking forward the recommendations in the Accounts Commission's Best Value report, published in December 2015. The report identified a number of areas for further improvement including:

- Establishing a more open and transparent culture and style of working.
- Continuing to seek a resolution to a number of relationship issues relating to elected members and others.
- Taking a more innovative approach to dealing with its financial challenges that is in line with its strategic vision and priorities for the area.

- Continuing to demonstrate clearly how it takes on board consultation feedback from its communities and strengthening local empowerment.
- Exploring all options for providing training and development for all members in a way that is most accessible and has greatest impact.

**44.** We provided an update on progress in our annual audit report on the 2015/16 audit and will continue to monitor council's progress in taking forward these recommendations through the annual audit process.

## **Independence and objectivity**

**45.** Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

**46.** The engagement lead for Argyll and Bute Council is David McConnell, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Argyll and Bute Council.

## **Quality control**

**47.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**48.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards, and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

**49.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Argyll and Bute Council

## Annual Audit Plan 2016/17

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**ARGYLL AND BUTE COUNCIL****AUDIT COMMITTEE****STRATEGIC FINANCE****24 MARCH 2017**

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**STRATEGIC RISK ASSURANCE MAPPING**

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**1. SUMMARY**

- 1.1 This report sets out Internal Audit's assessment of the sources of assurance for the Audit Committee on the management of the Council's strategic risks.

The report describes the approach to the work and the outcomes, including recommendations for improvement.

Appendix 1 highlights the overall assessment against each of the strategic risks. It should be noted that the assessment is based on the level of assurance that the Committee can rely on at each level. A 'low/red' level therefore highlights where there are gaps in evidence of active /targeted actions /activity rather than an assessment on the management of that risk.

**2. RECOMMENDATIONS**

- 2.1 The Audit Committee notes the Risk Assurance Map at Appendix 1.
- 2.2 The Audit Committee considers implications for the Internal Audit annual plans in 2017-18 and 2018-19.

**3. BACKGROUND**

- 3.1 It was agreed that Internal Audit would prepare and update an assurance mapping exercise on an annual basis to:
- give senior management and elected/committee members comfort that there is a comprehensive risk and assurance framework with no duplicated effort or potential gaps;
  - ensure that Internal Audit plans are targeted to address the key risks facing the Council and where assurance gaps remain;
  - identify any potential areas of overlap or duplication of assurance.
- 3.2 Appendix 1 provides a summary of the Council's strategic assurance map, which follows the three lines of defence model.
- 3.3 The assurance map details where the Audit Committee can gain assurance against the monitoring and management of strategic risks.

The assurance map is based on the following three lines of defence model:

First Line	Second Line	Third Line
The first level of the defence is the control environment - the business operations that perform day to day risk management activity	Oversight functions such as the SMT and individual committees set directions, define policy and provide assurance	Internal and external audit, and any other scrutiny or regulatory body, offer independent challenge to the levels of assurance provided by business operations and oversight functions

#### 4. FINDINGS

4.1 The table below summarises the assessment against each Strategic Risk.

Strategic Risk	Residual Risk at Dec 2016	Assurance assessment
1. Population and economic decline	<b>Red 16</b>	Green
2. Condition and suitability of overall Council infrastructure and asset base	<b>Amber 12</b>	Green
3. External – built environment	<b>Amber 12</b>	Green
4. Welfare Reform	<b>Amber 12</b>	Green
5. Political Leadership	<b>Amber 12</b>	Amber
6. Finance – Income & Funding	<b>Amber 12</b>	Green
7. Health & social care integration	<b>Red 15</b>	Red
8. Reputation	<b>Amber 12</b>	Green
9. Demographic change	<b>Amber 12</b>	Green
10. Finance - expenditure	<b>Amber 12</b>	Amber
11. Partnership governance	<b>Amber 9</b>	Green
12. Engagement and alignment of service delivery	<b>Amber 8</b>	Green
13. Leadership and management	<b>Amber 8</b>	Green
14. Civil contingency and business continuity	<b>Amber 6</b>	Green
15. Management of services and resources	<b>Amber 6</b>	Green

4.2 The Assurance Map has identified Health and Social Care Integration as an area where there may be a mismatch between the level of risk identified, and the assurance provided to Committee.

- 4.3 The Performance Review and Scrutiny Committee (PRS) asked for a report to clarify its role in relation to scrutinising the performance of the Integrated Joint Board. The Council and PRS do not have a call in or direct scrutiny function, but it was noted that the current style of exception reports may not provide the assurance necessary on all of the Council's responsibilities in relation to social care.
- 4.4 The remaining areas where assurance has been assessed as "amber" will be taken into account in developing Internal Audit plans for 2017-18 and 2018-19.

## **5. CONCLUSION**

- 5.1 Overall, Appendix 1 highlights that a strong performance management framework is in place across the Council.

This exercise has been used to highlight areas for improvements to the assurance framework, to ensure that the Audit Committee and Performance Review and Scrutiny Committee understand how risks are managed and mitigated.

The map highlights that further clarity is required on monitoring the performance of social care responsibilities that remain with the Council.

## **6. IMPLICATIONS**

- 6.1 Legal – None.  
6.2 Finance – None.  
6.3 HR – None.  
6.4 Policy – None.  
6.5 Risk – None.  
6.6 Equalities – None.  
6.7 Customer Services – None.

**For further information please contact**

**Grace Scanlin, Grant Thornton  
0131 659 8526**

## **APPENDICES**

Appendix 1 – Strategic Risk Assurance Map

**APPENDIX 1: Strategic Risk Assurance Map**

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
1	Population and Economic Decline	Red 16	Red 20	<ul style="list-style-type: none"> <li>• Service Planning linked to SOA/Corporate Outcomes</li> <li>• Economic Development and Strategic Transportation Update and Strategic Priorities</li> <li>• Key actions within Business Outcomes 15, 23, 26 in revised PPMF</li> <li>• Exception reporting within Team Quarterly Performance Report</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports considered by Performance Review and Scrutiny Committee - Corporate Outcomes 5 and 6</li> <li>• EDAP monitored by Environment, D &amp; I Committee</li> <li>• SOA LOIP Delivery Plan reported to Council</li> </ul>	<p>Internal audit coverage:</p> <ul style="list-style-type: none"> <li>• CHORD (Limited Assurance)</li> <li>• Employability (Substantial Assurance)</li> <li>• Business Support (Substantial Assurance)</li> <li>• Single Outcome Agreement (Substantial Assurance)</li> <li>• EDAPs (Substantial Assurance)</li> <li>• TIF (Substantial Assurance)</li> </ul> <p>External audit coverage:</p> <ul style="list-style-type: none"> <li>• CHORD Project – focussed follow up work on the Oban Bay/Harbour project 2015-16</li> </ul> <p><b>Future:</b> Rural Resettlement Fund</p>	There is a range of assurance sources across the three lines of defence.
2	Condition and suitability of overall Council Infrastructure and asset base	Amber 12	Red 16	<ul style="list-style-type: none"> <li>• Corporate Asset Management Strategy</li> <li>• Service Asset Management Plans</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports considered by Performance Review and</li> </ul>	<p>Internal audit coverage:</p> <ul style="list-style-type: none"> <li>• Property Maintenance (Reasonable assurance)</li> </ul> <p>External audit coverage:</p>	Good level of assurance from management reporting. Independent reviews of asset



Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				<ul style="list-style-type: none"> <li>Strategic Infrastructure Plan</li> <li>Direct link to Corporate Objectives within the Corporate Plan</li> <li>Service Planning linked to SOA/Corporate Outcomes</li> <li>PPMF/quarterly scorecards</li> <li>Exception reporting to DMT</li> </ul>	<ul style="list-style-type: none"> <li>Scrutiny Committee – Corporate Objectives 3 &amp; 4</li> <li>Quarterly Department Updates challenged by SMT</li> <li>D &amp; I quarterly performance reporting to Environment, D &amp; I Committee</li> <li>Corporate Asset Management Strategy reported to Policy &amp; Resources Committee</li> </ul>	<ul style="list-style-type: none"> <li>Audit Scotland review of Asset Management Arrangements</li> </ul> <p>CIPFA</p> <ul style="list-style-type: none"> <li>Independent Review of Estates Services</li> </ul> <p>Local Government Benchmarking Framework:</p> <ul style="list-style-type: none"> <li>Corporate Services: Asset Management Suitability</li> <li>Corporate Services: Asset Management Suitability</li> </ul> <p><b>Future:</b></p> <p>Internal Audit:</p> <ul style="list-style-type: none"> <li>ICT SLAs</li> <li>ICT Systems Development</li> </ul>	management monitored and supported by benchmarking across other Councils.
3	External – built environment is not maintained to an adequate standard.	Amber 12	Red 16	<ul style="list-style-type: none"> <li>Local Development Plan</li> <li>Planning and Regulatory Services Service Plan and quarterly monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Reports on Conservation Area Regeneration Scheme (CARS) funding for Dunoon and Rothesay</li> <li>CHORD progress</li> </ul>	<p>Internal audit coverage:</p> <ul style="list-style-type: none"> <li>THI and CARS monitoring of outcomes (Substantial assurance)</li> </ul>	This risk relates to non-Council assets. However, the THI and CARS projects are subject to external funding and therefore monitoring of progress. Third line of defence coverage relating to

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
					updates on Townscape Heritage Initiative (THI) <ul style="list-style-type: none"> <li>Digital Infrastructure progress reports to Council</li> </ul>		Council enforcement actions and monitoring of outcomes.
4	Welfare Reform – implementation is not managed well resulting in increased poverty and deprivation or short term crisis.	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Community and Social Services Service Plan Linked to Outcome 5</li> <li>Project Board in place with partners - and monitoring of associated action plan</li> </ul>	<ul style="list-style-type: none"> <li>Welfare Reform Working Group (WRWG) report to SMT</li> <li>SMT ongoing monitoring of risk Consideration or high and medium hardship cases</li> <li>Universal Support Delivered Locally project completed and developments considered by</li> </ul>	Internal audit coverage: <ul style="list-style-type: none"> <li>Welfare reform 2015-16 (High assurance)</li> </ul> External audit high level review of Welfare Reform arrangements - no recommendations arising	There is a range of assurance sources across the three lines of defence.
5	Political Leadership – political instability means there is a lack of collective strategic leadership by councillors	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Corporate Governance Improvement Plan</li> <li>Audit Scotland Action Plan and monitoring</li> <li>Customer Services Service</li> </ul>	<ul style="list-style-type: none"> <li>Short Life Working Group on Political Management Arrangements regularly reports to Council</li> <li>Quarterly Performance</li> </ul>	Audit Scotland Best Value Follow Up - December 2015	Action plans in place to progress improvement.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				Plan and associated outcomes/monitoring	Reporting to Performance Review and Scrutiny Committee		
6	Finance – income and funding	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Strategic Finance Service Plan</li> <li>Medium Term Financial Strategy</li> <li>Finance Outcome measures within Scorecards</li> </ul>	<ul style="list-style-type: none"> <li>Policy &amp; Resources Committee consider Financial Monitoring reports, including monitoring of financial risks</li> <li>Service Choices – Investing for Income</li> <li>Budget and budget working papers considered by full Council</li> </ul>	External audit: <ul style="list-style-type: none"> <li>Report on Financial Management and Sustainability</li> </ul>	There is a range of assurance sources across the three lines of defence.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
7	Health and Social Care Integration	Red 15	Amber 12	<ul style="list-style-type: none"> <li>Strategic Plan in place</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly exception reports submitted to the Performance &amp; Scrutiny Committee</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>Health and Social Care Governance Arrangements (substantial assurance)</li> </ul> <p>External audit overview of arrangements</p> <p>IJB separate internal audit function.</p>	Lack of clarity about scrutiny function or role of elected members. Performance reporting does not fully address LG requirements. IJB Internal audit reporting mechanism to be clarified
8	Reputation – the Council fails to maximise its profile at national level. Trust and integrity of the Council is undermined.	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Performance and Community Engagement reflected within Service Plans</li> <li>PPMF in place</li> </ul>	<ul style="list-style-type: none"> <li>Local Government Benchmarking Framework and annual reporting mechanisms</li> <li>Customer satisfaction ratings</li> </ul>	<p>External audit:</p> <ul style="list-style-type: none"> <li>Audit Scotland's assessment of Public Performance reporting</li> </ul>	Lack of specific assurance on reputation but customer satisfaction and service planning processes are incorporated within the Council's PPMF.
9	Demographic change	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>Population Summit</li> <li>SOA/LOIP annual profile update and planning processes</li> <li>Service Planning arrangements – guidance and approach</li> </ul>	<ul style="list-style-type: none"> <li>SMT receive reports on population change</li> <li>PRS Committee receive reports on population change</li> </ul>	<p>Internal audit:</p> <p>Single Outcome Agreement Delivery Plan monitoring</p>	No third line coverage providing assurance that planning is effective.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
10	Finance - expenditure	Amber 12	Amber 12	<ul style="list-style-type: none"> <li>• Service Choices framework</li> <li>• Strategic Finance Service Plan</li> <li>• Medium Term Financial Strategy</li> <li>• Finance Outcome measures within Scorecards</li> <li>• Financial Risks considered at Budget Working Group</li> </ul>	<ul style="list-style-type: none"> <li>• Policy &amp; Resources Committee consider Financial Monitoring reports, including monitoring of financial risks</li> <li>• Service Choices – community engagement and challenge process</li> <li>• Budget and budget working papers considered by full Council</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>• Continuous audit programme</li> </ul> <p>External audit:</p> <ul style="list-style-type: none"> <li>• Work on Financial Sustainability and follow up of recommendation</li> </ul> <p>Accounts Commission findings (Best Value follow up): “The Council’s current approach to the scale of the financial challenge is not sustainable”</p>	Coverage across all three lines of defence, but findings from the Accounts Commission require additional assurance on progress.
11	Partnership governance	Amber 9	Amber 9	<ul style="list-style-type: none"> <li>• SOA delivery plans which make clear links to individual partner contributions</li> <li>• DMT quarterly performance reporting</li> </ul>	<ul style="list-style-type: none"> <li>• SOA delivery plans monitored through quarterly reporting</li> <li>• Governance review of CPP presented to the Audit Committee</li> </ul>	Review of CPP Governance arrangements	Coverage across all three lines of defence.
12	Engagement and alignment of service delivery	Amber 8	Amber 8	<ul style="list-style-type: none"> <li>• SOA Delivery Plans/LOIP</li> <li>• Community Engagement Strategy</li> <li>• PPMF and quarterly</li> </ul>	<ul style="list-style-type: none"> <li>• Service Choices and Planning for Our Future community engagement overseen by the P&amp;R Committee</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>• Single Outcome Agreement Delivery Plan monitoring</li> </ul>	Coverage across all three lines of defence.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
				<ul style="list-style-type: none"> <li>monitoring</li> <li>Departmental scorecards include measures on customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>SOA Delivery Plan</li> </ul>		
13	Leadership and management - A lack of Strategic Leadership and Direction will have a negative impact on the ability of the Council to set out strategic objectives and then align service delivery and resources to ensure these objectives are achieved.	Amber 8	Amber 8	<ul style="list-style-type: none"> <li>Corporate Plan sets out overall Council objectives.</li> <li>Review of PPMF to refocus on council priorities and core outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Review of Corporate and Business Objectives considered by Council</li> <li>Audit Scotland Improvement Plan and monitoring reports</li> </ul>	<p>Internal audit:</p> <ul style="list-style-type: none"> <li>Single Outcome Agreement Delivery Plan monitoring</li> </ul> <p>External audit:</p> <ul style="list-style-type: none"> <li>Audit Scotland Best Value follow up December 2015</li> </ul>	There is a range of assurance sources across the three lines of defence.
14	Civil contingency and business continuity	Amber 6	Amber 6	<ul style="list-style-type: none"> <li>Critical activities identified within review of business continuity arrangements</li> <li>West of Scotland local resilience partnership provides additional support</li> <li>Community resilience plans</li> </ul>	<ul style="list-style-type: none"> <li>Critical Activity Recovery Plan (CARP) updates to DMT/SMT.</li> </ul>	<p>Planning Group –debrief for emergency planning exercises.</p> <p>Partnership Overview</p>	Low level of 2 <sup>nd</sup> and 3 <sup>rd</sup> tier assurance.

Risk	Risk Title and Description	Risk Score December 2016	Risk Score December 2015	First Line of defence	Second Line of Defence	Third Line of Defence	Assessment
15	Management of Services - Services and resources are not effectively managed. Services fail to achieve agreed performance levels.	Amber 6	Amber 6	<ul style="list-style-type: none"> <li>• Service Planning process updated in line with review of PPMF</li> <li>• PPMF including quarterly reporting</li> <li>• DMT exception reporting/monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly performance reports to the PRS Committee.</li> </ul>	Internal audit: <ul style="list-style-type: none"> <li>• Performance Management review (Substantial Assurance)</li> </ul>	Coverage across all three lines of defence.

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**ARGYLL AND BUTE COUNCIL****AUDIT COMMITTEE****STRATEGIC FINANCE****24 MARCH 2017**

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**UNAUDITED ANNUAL ACCOUNTS 2016-17**

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**1. EXECUTIVE SUMMARY**

- 1.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2017 and the preparation of the Council's Unaudited Annual Accounts for 2016-17.
- 1.2 The major change to the timetable is to bring forward the timescales for production of the figures for the Integration Joint Board which require to be available for the 21 April 2017.
- 1.3 The Appendices to the report show the timetable for the closure of the general ledger and the plan and timetable for preparation of the final accounts.
- 1.4 The Committee is asked to note that plans are in place to prepare the Council's Annual Accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2017 in line with the Scottish Government's requirements.

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**ARGYLL AND BUTE COUNCIL****AUDIT COMMITTEE****STRATEGIC FINANCE****24 MARCH 2017**

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**UNAUDITED ANNUAL ACCOUNTS 2016-17**

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**2. INTRODUCTION**

- 2.1 This report advises the Audit Committee on the plans in place for financial year end 31 March 2017 and the preparation of the Council's Unaudited Annual Accounts for 2016-17.
- 2.2 Processes have been established to ensure that the Annual Accounts are prepared in accordance with International Financial Reporting Standards (IFRS) on an on-going basis. There are no major changes in accounting practice for 2016-17.

**3. RECOMMENDATIONS**

- 3.1 To note that plans are in place to prepare the Council's Annual Accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2017 in line with the Scottish Government's requirements.

**4. DETAIL**

- 4.1 "An Audit Committees – Practical Guidance for Local Authorities" has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This suggests that Audit Committees should have an overview of the plans made for preparation of the Council's Annual Accounts.
- 4.2 A set of instructions for the end of the financial year have been drafted. These cover year-end close down of the Council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements. These are included within appendices 1 to 3.
- 4.3 The major change in the timetable is that figures require to be available for consolidation into the Integrated Joint Boards Accounts by 21 April 2017 which requires accruals and other entries in respect of Social Work to be processed in early April.
- 4.4 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure, capital charges and treasury management revenue accounts completed by 19 April.
  - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 28 April.
  - Council Tax and NDR entries completed by 16 May.

- Review and adjustments to ledger and central department cost allocations completed by 16 May.
- Preparation of Unaudited Annual Accounts including report by Head of Strategic Finance by 9 June.
- Unaudited Annual Accounts considered by a meeting of the Full Council on 29 June.
- Submission of Unaudited Annual Accounts to Accounts Commission by the statutory deadline of 30 June.

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

- Pension Information
- Processing allocation journals
- Capital Financed From Revenue

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

4.7 Previously external Audit has been satisfied with the quality of working papers and general arrangements for preparation of the Annual Accounts. The plan should result in Financial Statements prepared by the required deadline of 30 June 2017 and with supporting documentation of a standard to enable completion of the audit by the required deadline of 30 September 2017.

## **5. CONCLUSION**

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

## **6. IMPLICATIONS**

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

**Kirsty Flanagan**  
**Head of Strategic Finance**

**Dick Walsh Council Leader and Policy Lead for Strategic Finance**

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

Appendix 1 – General Ledger Closedown Timetable

Appendix 2 - Final Accounts Preparation Plan and Timetable

Appendix 3 – Social work Closedown Timetable

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
<b>1. Capital Expenditure</b>	<b>1</b>	Final preparation of year end capital payments	20/03/17 to 03/04/17	Departments
	<b>2</b>	Dep'ts Cut off date for capital payments to Strategic Finance - Corporate Support (Kintyre House, Campbeltown)	03/04/2017	Departments
	<b>3</b>	Processing of final external capital payments	04/04/17 to 07/04/17	Creditors Section
	<b>4</b>	Final cheque run processed and cheques printed	07/04/2017	Creditors Section
	<b>5</b>	Year end journals of transfers to/from revenue accounts	20/03/17 to 04/04/17	Corporate - Anne Macdougall
	<b>6</b>	Property Fee Charges Processed	20/03/17 to 04/04/17	Corporate - Anne Macdougall
	<b>7</b>	Roads interfaces checked daily for capital expenditure	20/03/17 to 07/04/17	Corporate - Anne Macdougall
	<b>8</b>	Dept's complete capital accruals template/CFCR template/journals/ and send to Strategic Finance - Corporate Support (Kintyre House, Campbeltown)	05/04/17 to 07/04/17	Departments
	<b>9</b>	Dept's cut off date for capital accruals template/CFCR template/journals to Strategic Finance - Corporate Support (Kintyre House, Campbeltown)	07/04/2017	Departments
	<b>10</b>	Processing of final external capital payments/accruals/CFCR (Uploading by Consolidated Team)	10/04/2017	Corporate - Anne Macdougall
	<b>11</b>	Capital expenditure processing complete	10/04/2017	Corporate - Anne Macdougall
<b>2. Capital Expenditure - Fixed Asset Processing</b>	<b>1</b>	Capital expenditure final download from ledger	11/04/2017	Corporate - Anne Macdougall
	<b>2</b>	Allocation of balance sheet codes to mass allocation journal	12/04/17 to 19/04/17	Corporate - Anne Macdougall
	<b>3</b>	Mass allocation processed	19/04/2017	Corporate - Anne Macdougall

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility	
<i>Depreciation/Property Plant and Equipment Processing</i>	<b>4</b>	Capital expenditure complete	19/04/2017	Corporate - Anne Macdougall	
	<b>5</b>	<b>Revaluation of Properties by Estates</b>	<b>25/04/2017</b>	<b>Estates</b>	
	<b>6</b>	Update asset register for additions/disposals/transfers	20/04/17 to 25/04/17	Corporate - Anne Macdougall	
	<b>7</b>	Update Asset Register for Revaluations	26/04/17 to 28/04/17	Corporate - Anne Macdougall	
	<b>8</b>	Process balance sheet depreciation/revaluation journals	28/04/2017	Corporate - Anne Macdougall	
	<b>9</b>	Reconcile asset register to ledger	02/05/2017	Corporate - Anne Macdougall	
	<b>10</b>	Run depreciation/impairment charges	03/05/2017	Corporate - Anne Macdougall	
	<b>11</b>	<b>Capital Accounting Entries Complete</b>	<b>03/05/2017</b>	<b>Corporate - Anne Macdougall</b>	
	<i>Non-Current Assets Available for Sale</i>	<b>12</b>	Obtain supporting evidence for assets classified for sale	13/03/17 to 17/03/17	Corporate - Anne Macdougall
		<b>13</b>	De-classify assets no longer meeting AH for S criteria	20/03/2017	Corporate - Anne Macdougall
<b>14</b>		Re-classify any items newly meeting AH for S Criteria	21/03/2017	Corporate - Anne Macdougall	
<b>15</b>		Up-date asset register with reclassifications	22/03/2017	Corporate - Anne Macdougall	
<b>3. Loan Charges</b>		<b>1</b>	Complete interest on revenue balances	06/03/2017	Corporate - Sandra Coles
	<b>2</b>	Complete PSTM Reconciliations	06/04/17 to 07/04/17	Corporate - Sandra Coles	
	<b>3</b>	Accrual of Borrowing Interest and Expenses	10/04/17 to 11/04/17	Corporate - Sandra Coles	
	<b>4</b>	Accrual of Investment Interest and Expenses	10/04/17 to 10/04/17	Corporate - Sandra Coles	
	<b>5</b>	Strategic Finance expense allocation	11/04/2017	Corporate - Sandra Coles	
	<b>6</b>	Agree loans fund advances b/f	01/03/2017	Corporate - Sandra Coles	

## Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
	7	Provision of capital repayment figures for house loans	31/03/17 to 11/04/17	Consolidated Team - Duncan MacBrayne
	8	Calculate weighted capital expenditure in year	12/04/17 to 13/04/17	Corporate - Peter Cupples
	9	Calculate average interest and expense rate	12/04/17 to 13/04/17	Corporate - Peter Cupples
	10	Input annuity rate loan charges model and calculate loan charges	18/04/2017	Corporate - Peter Cupples
	11	Process loans charges/SMGFB journal	19/04/2017	Corporate - Sandra Coles
	12	Loans fund revenue account (ensure nil)	19/04/2017	Corporate - Sandra Coles
	13	Loans Charges Complete	19/04/2017	Corporate - Peter Cupples
<b>4. IFRS Pensions Accounting - Year End Accounting Entries</b>	1	IFRS Pensions Report Received from Actuaries (Hymans Robertson)	02/05/2017	Corporate - Moira Miller
	2	Check reasonability of data in report	02/05/2017	Corporate - Moira Miller
	3	Calculate pensions entries in ledger	02/05/2017	Corporate - Moira Miller
	4	Process pensions entries in ledger	02/05/2017	Corporate - Moira Miller
	5	Check no bottom line impact on general fund	02/05/2017	Corporate - Moira Miller
<b>5. Creditor Payments</b>	6	IFRS Pension Entries Complete	02/05/2017	Corporate - Moira Miller
	1	Deadline for Health and Social Care Partnership Invoices to Creditors	31/03/2017	Departments
	2	Departments processing old year invoices	03/04/17 to 10/04/17	Departments
	3	Departments cut off date for passing invoices to Finance (Campbeltown)	10/04/2017	Departments
	4	Processing of final revenue payments 2016/17	11/04/17 to 12/04/17	Creditors Section
	5	Final cheque run processed and cheques printed	12/04/2017	Creditors Section

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
	6	Production and processing of final feeders to road costing	12/04/2017	Creditors Section
	7	<b>Closure of March 2017 Period (5pm)</b>	<b>12/04/2017</b>	<b>Consolidated Team - Astrid Ronald</b>
	8	Reconciliation of Core Payables Liability	13/04/2017	Consolidated Team - Astrid Ronald
	9	VAT return completed	13/04/16 to 28/04/17	Corporate - Sandra Coles
	10	Creditor Payments and VAT completed	26/04/2017	N/A
<b>6. Health and Social Care Integration</b>	1	<b>Agree final outturn position with Chief Financial Officer of Integrated Joint Board</b>	<b>21/04/2017</b>	<b>David Forshaw</b>
<b>7. Revenue Accruals/Prepaid Expenditure</b>	1	Accrued/Prepaid expenditure templates issued to departments	01/03/2017	Consolidated Team - Duncan MacBrayne
	2	Departments complete accrued/prepaid expenditure template	11/04/17 to 21/04/17	Departments
	3	Deadline for return of accrued/prepaid expenditure template	21/04/2017	Departments
	4	Consolidated team process accrued/prepaid expenditure	24/04/17 to 28/04/17	Consolidated Team
	5	Deadline for Upload of Accrual Templates to General Ledger.	28/04/2017	Consolidated Team
<i>PECOS Accruals</i>	6	Mismatches to be cleared from PECOS system. <b>Procurement to check that all mismatches are cleared by close of business.</b>	30/03/2017	Departments/Mary McKerral
	7	Final Year end invoices processed through PECOS.	30/03/2017	Departments
	8	Orders received prior to 31 March, receipted on PECOS System (up to 4.00pm)	31/03/2017	Departments
	9	Final PECOS interface with payables ledger for 16-17	31/03/2017	Creditors Section
	10	PECOS Accrual Report run after 4.00pm.	31/03/2017	Procurement - Mary McKerral



### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
	<b>11</b>	PECOS Accrual Report sent to Principal Accountants	03/04/2017	Procurement - Mary McKerral
	<b>12</b>	PECOS interfaces to Payables to continue processing into New Year. IT will exclude from Total Feeder until final payables run for old year.	03/04/17 to 12/04/17	Procurement/Creditors
	<b>13</b>	Departments to include unpaid receipted orders on accrual template	03/04/17 to 13/04/17	Departments
	<b>14</b>	Consolidated team check and process PECOS Accrual Templates and Documentation	13/04/17 to 28/04/17	Consolidated Team
<i>Holiday Pay Accrual - Teachers</i>	<b>15</b>	Collection of teacher data	10/04/2017	Corporate - Anne Macdougall
	<b>16</b>	Calculation of teachers holiday pay accrual	11/04/2017	Corporate - Anne Macdougall
	<b>17</b>	Process journal and SMR reversing entry	11/04/2017	Corporate - Anne Macdougall
<i>Holiday Pay Accrual - Other Staff</i>	<b>18</b>	Completion of holiday pay accrual template based on previous years sample and methodology	12/04/2017	Corporate - Anne Macdougall
	<b>19</b>	Process journal and SMR reversing entry	12/04/2017	Corporate - Anne Macdougall
<i>Payroll - Pay 07 MONTHLY (Month 1)</i>	<b>20</b>	Deadline for Trave/Expensel Claims - Pay 07 Month 1	24/03/2017	Departments
	<b>21</b>	Deadline for Timesheets to Payroll - Pay 07 Month 1	04/04/2017	Departments
	<b>22</b>	Processing Pay 07 Month 1	06/04/17 to 12/04/17	Payroll Section
	<b>23</b>	Clearance of Pay 07 Month 1 suspense items	13/04/2017	Payroll Section
	<b>24</b>	Accrual Pay 07 Month 1	18/04/17 to 19/04/17	Consolidated Team - Ailsa Laing

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
<i>Payroll - Pay 10 TEACHERS (Month 1)</i>	<b>25</b>	Deadline for Travel/Expense Claims - Pay 10 Teachers Month 1	13/04/2017	Departments
	<b>26</b>	Deadline for Timesheets to payroll Pay 10 Teachers Month 1	17/04/2017	Departments
	<b>27</b>	Processing Pay 10 Teachers Month 1	18/04/17 to 19/04/17	Payroll Section
	<b>28</b>	Clearance of Pay 10 Month 1 suspense items	20/04/17 to 25/04/17	Payroll Section
	<b>29</b>	Accrual Pay 10 Teachers Month 1	26/04/17 to 28/04/17	Consolidated Team - SAA
<i>Payroll - Pay 10 TEACHERS (Month 2)</i>	<b>30</b>	Deadline for Travel/Expenses Claims - Pay 10 Teachers Month 2	11/05/2017	Departments
	<b>31</b>	Deadline for Timesheets to Payroll Pay 10 Teachers Month 2	15/05/2017	Departments
	<b>32</b>	Processing Pay 10 Teachers Month 2	15/05/17 to 17/05/17	Payroll Section
<b>8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts</b>	<b>1</b>	Department cut off date to send debtor accounts to Debtors Section	24/03/2017	Departments
	<b>2</b>	Input of old year debtor accounts (Central and	24/03/17 to 31/03/17	Debtors Section
	<b>3</b>	Year end reports produced	31/03/2017	Debtors Section
	<b>4</b>	Sundry Debtor account reconciliations	03/04/17 to 21/04/17	Debtors Section
	<b>5</b>	Calculation of Bad Debt Provision	24/04/17 to 26/04/17	Debtors Section
	<b>6</b>	Process journal adjusting ledger for change in BDP	26/04/2017	Debtors Section
	<b>7</b>	Sundry Debtor accounts complete	26/04/2017	Debtors Section
<i>Housing Benefit Overpayments</i>	<b>8</b>	Calculation of Housing Benefit Overpayment Debtor	03/04/17 to 05/04/17	Housing Benefits Section
	<b>9</b>	Calculate associated bad debt provision	06/04/17 to 07/04/17	Housing Benefits Section
	<b>10</b>	Process journals for housing benefit overpayments	10/04/2017	Housing Benefits Section
	<b>11</b>	Housing Benefit Overpayments Complete	10/04/2017	Housing Benefits Section

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
<i>Banking</i>	<b>12</b>	All monies/cheques should be banked	31/03/2017	Departments
	<b>13</b>	Monies/cheques received after final banking relating to 14/15 to be added to accruals template	03/04/17 to 04/04/17	Departments
<i>E-Income Journals</i>	<b>14</b>	Deadline for E- Income Journals to Cash Section. Kintyre House, Campbeltown.	31/03/2017	Departments
	<b>15</b>	Cash Section to process year-end E-income	03/04/17 to 04/04/17	Departments
<i>Bank Reconciliations</i>	<b>16</b>	Request bank certificates for all accounts	01/03/2017	Corporate - Sandra Coles
	<b>17</b>	Bank reconciliation on expenditure account	03/04/17 to 28/04/17	Creditors Section
	<b>18</b>	Bank reconciliation on Council Tax and NDR	03/04/17 to 28/04/17	Revenues - Alison Millar
	<b>19</b>	Bank reconciliation on Income Account	03/04/17 to 28/04/17	Revenues - Alison McGeachy
	<b>20</b>	Bank reconciliation on Housing Benefit Account	03/04/17 to 28/04/17	Benefits - Sharon Leitch
	<b>21</b>	Bank reconciliation on Land Contamination Bank Account	03/04/17 to 28/04/17	Corporate - Sandra Coles
	<b>22</b>	Imprest certificates/returns issued to imprest holders	01/03/2017	Creditors Section
	<b>23</b>	Establishments complete certificates/returns	03/04/17 to 21/04/17	Departments
<i>Imprests</i>	<b>24</b>	Deadline for return of Certificates to Cash Section	21/04/2017	Departments
	<b>25</b>	Reconciliation of all Imprest balances (including schools)	24/04/17 to 27/04/17	Creditors Section
	<b>26</b>	Process final imprest adjustments in ledger	27/04/2017	Creditors Section
	<b>27</b>	Income Accrual / Deferred Income Templates issued to departments	01/03/2017	Consolidated Team - Duncan MacBrayne
	<b>28</b>	Departments complete other income accrual/ deferred income templates	03/04/17 to 21/04/17	Departments
<i>Other Income Accruals / Deferred Income</i>				

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
<b>9. Internal Recharges</b>	<b>29</b>	Dept's cut-off date for return of income accruals / deferred income template to Strategic Finance Teams	21/04/2017	Departments
	<b>30</b>	Consolidated team process income accruals / deferred income	24/04/17 to 28/04/17	Consolidated Team
	<b>1</b>	Final date for producing 2016/2017 Internal recharges	31/03/2017	Departments
	<b>2</b>	Deadline for coded recharges to be sent to Corporate Support	07/04/2017	Departments
	<b>3</b>	Internal Recharges uploaded into the ledger	07/04/2017	Consolidated Team - Elaine Maxwell
<b>10. Stores and Work in Progress - Stores</b>	<b>4</b>	Outstanding Accounts cleared from Internal Recharge system	07/04/2017	Consolidated Team - Elaine Maxwell
	<b>5</b>	Departments to clear 29901 accounts	10/04/17 to 18/04/17	Departments
	<b>1</b>	Departmental SF Teams issue instructions to Stores	01/03/2017	Departmental Strategic Finance Teams
	<b>2</b>	Departments prepare for stock count	02/03/17 to 30/03/17	Departments
	<b>3</b>	Stock count	31/03/2017	Departments
<b>Work in Progress</b>	<b>4</b>	Stock certificates to be completed and sent to Principal Accountant, both Development and Infrastructure Services and Community Services	03/04/17 to 13/04/17	Departments
	<b>5</b>	Principal Accountants to review certificates and process final journal	18/04/17 to 21/04/17	Principal Accountants - Departmental
	<b>6</b>	Department prepares a valued list of Works in Progress	03/04/17 to 02/05/17	Departments
	<b>7</b>	Pass to Principal Accountant for Review and Journal Processing	03/05/17 to 05/05/17	Principal Accountants - Departmental
	<b>8</b>	Consolidation Adjustments (if any)	08/05/2017	Corporate Support - Moira Miller
	<b>9</b>	Finalise Lead Schedule and Working Papers	08/05/2017	Corporate Support - Moira Miller

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	2016-17 Dates	Lead Responsibility
<b>11. Control and Suspense Accounts - Control Accounts</b>	1	Report issued to Control Account Holder	03/04/2017	Consolidated Team - Astrid Ronald
	2	Clear balance or complete Carry Forward of Control Account Balance form	04/04/17 to 03/05/17	Departments
	3	Transfer of control account balances to Balance Sheet	04/05/17 to 05/05/17	Consolidated Team - Astrid Ronald
	4	Report issued to Suspense Account Holder	03/04/2017	Consolidated Team - Astrid Ronald
	5	Balance should be cleared (excluding payroll suspense which should be cleared by 14 April for Pay07 entries and 25 April for Pay10)	04/04/17 to 28/04/17	Departments
<b>11. Journals and Feeders</b>	1	Opening of April and Adjust Periods	31/03/2017	Consolidated Team - Astrid Ronald
	2	Departments prepare and input journals	03/04/17 to 05/05/17	Departments
	3	Dept's cut off date for journals	05/05/2017	Departments
	4	Processing of Central Finance journals	03/04/17 to 05/05/17	Consolidated Team
	5	Final feeders from roads costing to general	03/04/17 to 05/05/17	Departmental Strategic Finance - Joyce C
	6	Preparation and input of any final journals identified	08/05/17 to 12/05/17	Consolidated Team
	7	Central support / departmental admin recharging	15/05/17 to 16/05/17	Corporate - Anne Macdougall
	8	Input of Council Tax & NDR Journals / Clearance of Raw Cash Accounts	03/04/17 to 16/05/17	Departmental Strategic Finance - Damier
	9	Closure of 2016/2017 ledger	16/05/2017	Corporate Support - Moira Miller

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**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
<b>1. Year end monitoring and analytical review</b>	<b>1</b>	Issue Earmarking Template to Principal Accountants	21/04/2017		Departmental - Damien Brolly
	<b>2</b>	Completion and return of earmarking template	24/04/17 to 12/05/17		Departmental - Principal Accountants
	<b>3</b>	Preparation of year-end monitoring reports and analytical review	15/05/17 to 16/05/17		Departmental - Damien Brolly
	<b>4</b>	Distribution of year-end monitoring reports to Departments	17/05/2017		Departmental - Damien Brolly
	<b>5</b>	Perform year-end monitoring and analytical review procedures	18/05/17 to 26/05/17		Departmental - Principal Accountants
	<b>6</b>	Deadline for return of completed monitoring and analytical review templates	26/05/2017		Departmental - Principal Accountants
	<b>7</b>	Preparation of Year-end Revenue Budget Monitoring Corporate Overview and Committee Report	29/05/17 to 31/05/17		Departmental - Damien Brolly
		<b>8</b>	<b>Deadline for Reports to SMT</b>	<b>31/05/2017</b>	
<b>2. Comprehensive Income and Expenditure Statement</b>	<b>1</b>	Run Retained Earnings Proof	17/05/19 to 19/05/17		Corporate - Moira Miller
	<b>2</b>	Run Comprehensive Income & Expenditure download	17/05/19 to 19/05/17		Corporate - Moira Miller
	<b>3</b>	Produce final outturn Comprehensive Income & Expenditure Statement Summary	17/05/19 to 19/05/17		Corporate - Moira Miller
	<b>4</b>	Complete Comprehensive Income & Expenditure Statement	22/05/2017		Corporate - Moira Miller
		<b>5</b>	<b>Comprehensive Income &amp; Expenditure Statement completed</b>	<b>22/05/2017</b>	
<b>3. Comprehensive Income and Expenditure Statement Notes</b>	<b>1</b>	Complete General Fund Earmarking Note (Note 5)	15/05/2017		Departmental - Damien Brolly
	<b>2</b>	Complete Segmental Reporting Note for Accounts (Note 6) - alternatively complete CI&E on SeRCOP basis for LFR's as an alternate note 6	23/05/17 to 24/05/17		Corporate - Moira Miller
	<b>3</b>	Complete Other Operating Income and Expenditure Note (Note 7)	19/05/2017		Corporate - Moira Miller
	<b>4</b>	Complete Agency Income Note (Note 8)	17/05/2017		Consolidated Team
	<b>5</b>	Health and Social Care Integration Note and Disclosures (tbc)	17/05/17 to 23/05/17		Departmental - David Forshaw
	<b>6</b>	Complete Waste Management PPP note (Note 10)	17/05/17 to 23/05/17		Departmental - Morag Cupples
	<b>7</b>	Complete Fees Payable to External Auditors note (Note 11)	02/05/2017		Corporate - Moira Miller
	<b>8</b>	Complete Grant Income note (Note 12)	18/05/16 to 20/05/16		Corporate - tbc

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
<i>Related Parties (Note 13)</i>	<b>9</b>	Arrange for related party letters to be sent to members and senior officers	01/03/2017		Corporate - tbc
	<b>10</b>	Scottish Government (Note 13.1) - check narrative.	17/05/2017		Corporate - Moira Miller
	<b>11</b>	Complete Members related party transactions exceeding £10k table (Note 13.2)	17/05/17 to 23/05/17		Corporate - tbc
	<b>12</b>	Complete other related bodies note, identifying those that exceed £10k (Note 13.3)	17/05/17 to 23/05/17		Corporate - tbc
	<b>13</b>	<b>Comprehensive Income &amp; Expenditure Statement Notes completed</b>	<b>24/05/2017</b>		<b>Corporate - Moira Miller</b>
<b>3. Balance Sheet - PPE (Note 14)</b>	<b>1</b>	Complete Movement in Property Plant and Equipment note (Note 14.1)	17/05/17 to 23/05/17		Corporate - Anne Macdougall
	<b>2</b>	Complete Valuation of Property, Plant and Equipment note (Note 14.2)	17/05/17 to 23/05/17		Corporate - Anne Macdougall
	<b>3</b>	Summary of Capital Expenditure and Financing (14.3)	17/05/17 to 30/05/17		Corporate - Peter Cupples
	<b>4</b>	Commitments under Capital Contracts (14.4)	29/05/17 to 30/05/17		Corporate - Anne Macdougall
<i>Heritage Assets (Note 15)</i>	<b>5</b>	Provide Reconciliation of Carrying Values	31/05/2017		Corporate - Anne Macdougall
	<b>6</b>	Complete Heritage Asset Disclosures (Note 15)	31/05/2017		Corporate - Anne Macdougall
<i>Intangible Fixed Assets Note (Note 16)</i>	<b>7</b>	Complete Movement in Intangible Fixed Assets note (Note 16)	31/05/2017		Corporate - Anne Macdougall
<i>Investment Property (Note 17)</i>	<b>8</b>	Complete Movement in Investment Property note (Note 17.1)	31/05/2017		Corporate - Anne Macdougall
	<b>9</b>	Calculate Investment Property Income and Expenditure and complete note (Note 17.2), ensure reconciles to analysis of investment income on face of CI&E	10/04/2017		Corporate - Moira Miller
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	<b>10</b>	Complete Assets Held under Schools NPDO contract note (Note 18.1)	23/05/2017		Corporate - Anne Macdougall
	<b>11</b>	Complete Schools NPDO Finance Lease Liability note (Note 18.2)	03/05/2017		Corporate - Moira Miller
	<b>12</b>	Complete Payments due to Operator Under Schools NPDO Contract note (Note 18.3)	03/05/2017		Corporate - Moira Miller
<i>Operating Leases (Note 19)</i>	<b>24</b>	Request information from departments re operating leases	24/03/2017		Corporate - Sandra Coles
		Departments complete operating lease template	27/03/17 to 28/04/17		Departments
	<b>25</b>	Complete Operating Leases - Amounts Paid to Lessors note (Note 19.1)	02/05/17 to 05/05/17		Corporate - Sandra Coles
	<b>26</b>	Complete Assets Held Under Operating Leases note (Note 19.2)	02/05/17 to 05/05/17		Corporate - Sandra Coles
<i>Long Term Debtors/Investments (Note 20)</i>	<b>27</b>	House Loans (Working Papers Completed)	12/04/2017		Consolidated Team - Duncan MacBrayne
	<b>28</b>	Waste PPP Land Contamination Fund	28/04/2017		Corporate - Sandra Coles



**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
	<b>29</b>	Calculation of Charging Orders - Care Home Fees LT Debtor and completion of associated working papers	02/05/17 to 08/05/17		Departmental - Sharon MacAlister
	<b>30</b>	SHF - Loans to Registered Social Landlords - This to be treated as an investments and input into PSTM	18/04/17 to 20/04/17		Corporate - Moira Miller
	<b>31</b>	Calculation and working papers for Other Long Term Debtors (if any)	21/04/17 to 27/04/17		Corporate - Moira Miller
	<b>32</b>	Finalise Lead Schedule and Working Papers	09/05/2017		Corporate - Moira Miller
	<b>33</b>	Completion of LT Debtor Note (20)	09/05/2017		Corporate - Moira Miller
	<b>34</b>	WGA - Complete LT Debtors Section	09/05/2017		Corporate - Moira Miller
<i>Short Term Debtors (Note 21)</i>	<b>35</b>	Local Tax Collection Debtors - Production of working papers	17/05/17 to 23/05/17		Departmental - Damien Brolly
	<b>36</b>	Sundry Debtor Accounts - Production of Working Papers	27/04/17 to 04/05/17		Debtors Section
	<b>37</b>	Housing Benefit Overpayments - Production of Working Papers	11/04/17 to 19/04/17		Housing Benefit Section
	<b>38</b>	VAT Debtor - Production of Working Papers	02/05/2017		Corporate - Sandra Coles
	<b>39</b>	Net Debtor/Creditor to Scottish Government for NDR - Finalise Working Papers	17/05/2017		Corporate - Moira Miller
	<b>40</b>	Other Debtors - Provision of working papers from various departments	17/05/16 to 18/05/17		Corporate - Moira Miller
	<b>41</b>	Finalise Lead Schedule and Working Papers	19/05/2017		Corporate - Moira Miller
	<b>42</b>	Debtors Note (21)	19/05/2017		Corporate - Moira Miller
	<b>43</b>	WGA - Complete Debtors Section	19/05/2017		Corporate - Moira Miller
<i>Assets Held for Sale (Note 22)</i>	<b>44</b>	Complete Assets Held for Sale Note (23)	31/05/2017		Corporate - Anne Macdougall
	<b>45</b>	Finalise Lead Schedule and Working Papers	31/05/2017		Corporate - Anne Macdougall
	<b>46</b>	WGA - Complete Assets Held for Sale Section	31/05/2017		Corporate - Moira Miller
<i>Cash and Cash Equivalents (Note 23)</i>	<b>47</b>	Cash Held by the Authority (Imprests)-provide working papers	28/04/17 to 03/05/17		Creditors Section
	<b>48</b>	Cash in Transit - Working Papers	17/05/17 to 19/05/17		Revenues - Alison Millar
<i>CC&amp;E - Short Term Deposits</i>	<b>49</b>	Santander/Standard Chartered - working papers	02/05/2017		Corporate - Sandra Coles
	<b>50</b>	BoS Corporate Deposit - working papers	02/05/2017		Corporate - Sandra Coles
	<b>51</b>	CB Instant Access Account - working papers	02/05/2017		Corporate - Sandra Coles
	<b>52</b>	Money Market Funds	02/05/2017		Corporate - Sandra Coles
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>53</b>	Income Bank Account - working papers	02/05/2017		Revenues - Alison McGeachy
	<b>54</b>	Expenditure Bank Account - working papers	02/05/2017		Creditors Section
	<b>55</b>	Housing Benefits Bank Account - working papers	02/05/2017		Benefits - Maggie Campbell
	<b>56</b>	Council Tax / NDR Bank Account - working papers	02/05/2017		Revenues - Alison Millar
	<b>57</b>	Finalise Lead Schedule and Working Papers	03/05/2017		Corporate - Sandra Coles
	<b>58</b>	Complete Cash and Cash Equivalents Note (24)	03/05/2017		Corporate - Sandra Coles
	<b>59</b>	WGA - Complete Cash Holding Section	03/05/2017		Corporate - Moira Miller

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
<i>Creditors (Note 24)</i>	<b>60</b>	Accrued Payrolls - Pull overall figure together for Accrued Payrolls	02/05/2017		Consolidated Team - Duncan MacBrayne
<i>Superannuation</i>	<b>61</b>	Teachers - Identification of year end balance on teachers superannuation control account as at 31 March 2015	08/05/2017		Consolidated Team
	<b>62</b>	Non-teachers - Identification of year end balance on non-teachers superannuation control account as at 31 March 2015	08/05/2017		Consolidated Team
<i>Short Term Accumulating Absences</i>	<b>63</b>	Teachers - Provision of working papers for creditors	13/04/2017		Corporate - Anne Macdougall
	<b>64</b>	Non Teachers - Provision of working papers for creditors	13/04/2017		Corporate - Anne Macdougall
	<b>65</b>	Creditors System Liability (Core Payables) - Working papers/discoverer report	18/04/2017		Consolidated Team - Astrid Ronald
	<b>66</b>	Accrued Expenditure/deferred income - Pull summary sheet together with links to templates to help auditors choose sample	15/05/2017		Consolidated Team - Duncan MacBrayne
	<b>67</b>	Other Creditors - various departmental (provision of working papers)	15/05/17 to 19/05/17		Corporate - Moira Miller
	<b>68</b>	Finalise Lead Schedule and working Papers	22/05/2017		Corporate - Moira Miller
	<b>69</b>	Complete Creditors Note (24)	22/05/2017		Corporate - Moira Miller
	<b>70</b>	WGA - Complete Creditors Section	22/05/2017		Corporate - Moira Miller
<i>Borrowings (Financial Instruments) - Note 25</i>	<b>71</b>	Completion of Borrowings/Financial Instruments Working Papers	20/04/17 to 26/04/17		Corporate - Sandra Coles
	<b>72</b>	Financial Instruments - Types - Note 25.1	25/04/17 to 26/04/17		Corporate - Peter Cupples
	<b>73</b>	Financial Instruments - Fair Value - Note 25.2	25/04/17 to 26/04/17		Corporate - Peter Cupples
	<b>74</b>	Financial Instruments - Gains and Losses - Note 25.3	25/04/17 to 26/04/17		Corporate - Peter Cupples
	<b>75</b>	Financial Instruments - Risks - Note 25.4 to 25.9	25/04/17 to 26/04/17		Corporate - Peter Cupples
	<b>76</b>	Financial Instruments - Risks - Note 25.10 to 25.11	25/04/17 to 26/04/17		Corporate - Peter Cupples
	<b>77</b>	Borrowings/Financial Instruments - Complete Accounts	25/04/17 to 26/04/17		Corporate - Peter Cupples
	<b>78</b>	WGA - Borrowing Figures	27/04/2017		Corporate - Moira Miller
<i>Other Liabilities (Note 26)</i>	<b>79</b>	Schools NPDO Finance Lease Liability	03/05/2017		Corporate - Moira Miller
	<b>80</b>	Waste PPP Land Contamination - Provision of working paper, same as long term debtor.	28/04/2017		Corporate - Sandra Coles
	<b>81</b>	Finalise Lead Schedule and Working Papers	03/05/2017		Corporate - Moira Miller
	<b>82</b>	Complete Other Liabilities Note (28)	03/05/2017		Corporate - Moira Miller
	<b>83</b>	WGA - Complete Deferred Liability Section	04/05/2017		Corporate - Moira Miller
<i>Provisions (Note 27)</i>	<b>84</b>	SRC Insurance claims - Calculate provision and provide working papers	02/05/2017		Corporate - Moira Miller

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

Work Area	Task No.	Task Description	2016-17 Dates	Actual 2016-17 Completed Dates	Lead Responsibility
<i>Pension Assets and Liabilities (Note 28)</i>	85	Equal Pay Claims - Calculate provision and provide working papers	02/05/17 to 08/05/17		Corporate - Anne Macdougall
	86	Registered Social Landlords - Calculate provision and provide working papers	02/05/2017 - 15/05/17		Departmental - Caroline Whyte
	87	Reorganisation Redundancy Costs - Calculate provision and provide working papers	02/05/17 to 08/05/17		Departmental - Damien Brolly
	88	Utilities Provision - Calculate provision and provide working papers	02/05/17 to 08/05/17		Departmental - Caroline Whyte
	89	Other Provisions - Calculate provisions and provide working papers	02/05/17 to 08/05/17		Corporate - Moira Miller
	90	Split Provisions between short and long term	16/05/2017		Corporate - Moira Miller
	91	Provisions Note (27)	16/05/2017		Corporate - Anne Macdougall
	92	Finalise Lead Schedule and Working Papers	16/05/2017		Corporate - Anne Macdougall
	93	WGA - Complete Provisions Section	16/05/2017		Corporate - Moira Miller
	94	Calculation of Accrued Pension Contribution (28.1)	03/05/2017		Corporate - Moira Miller
	95	Transactions Relating to Retirement Benefits (28.2)	03/05/17 to 04/05/17		Corporate - Moira Miller
	96	Assets and Liabilities in Relation to Post Employment Benefits (28.3)	03/05/17 to 04/05/17		Corporate - Moira Miller
	97	Pension Assets and Liabilities Recognised in the Balance Sheet (28.4)	03/05/17 to 04/05/17		Corporate - Moira Miller
	98	Analysis of Pension Fund Assets (28.5)	03/05/17 to 04/05/17		Corporate - Moira Miller
	99	Basis for Estimating Assets and Liabilities (28.6)	03/05/17 to 04/05/17		Corporate - Moira Miller
	100	Impact on Authority's Cash Flow (28.8)	05/05/2017		Corporate - Moira Miller
	101	WGA Complete Pensions Section (IAS19)	09/05/2017		Corporate - Moira Miller
	<b>102</b>	<b>Balance Sheet Complete</b>	<b>30/05/2017</b>		<b>Corporate - Moira Miller</b>
<b>4. Other Notes to the Financial Statements</b>	<b>1</b>	Note 1 - Review and amend accounting policies	01/03/2017		Corporate - Moira Miller
	<b>2</b>	Note 2 - Accounting Standards Issued but Not Yet Adopted	02/03/2017		Corporate - Moira Miller
	<b>3</b>	Note 3 - Critical Judgements in Applying Accounting Policies	02/03/2017		Corporate - Moira Miller
	<b>4</b>	Note 4 - Assumptions / Estimation Uncertainty	19/05/2017		Corporate - Moira Miller
	<b>5</b>	Note 31 - Contingent Liabilities	02/05/17 to 08/05/17		Corporate - Anne Macdougall
	<b>6</b>	Note 32 - Termination Benefits	02/05/17 to 08/05/17		Corporate - Anne Macdougall
	<b>7</b>	Note 33 - Trust Funds and Other Third Party Funds (Part of preparing accounts for charities and other trusts)	17/05/17 to 30/05/17		Corporate - Sandra Coles
	<b>8</b>	Note 34 - Common Good Funds (Prepare Accounts for Common Good Funds and collate information for Oban and Campbeltown Funds)	17/05/17 to 30/05/17		Corporate - Sandra Coles
<b>5. Statement of Movement in Reserves</b>	<b>1</b>	Analysis of General Fund Balance Movement	24/05/17 to 25/05/17		Corporate - Moira Miller

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

Work Area	Task No.	Task Description	2016-17 Dates	Actual 2016-17 Completed Dates	Lead Responsibility
	2	Analysis of amounts included in CI&E but excluded from General Fund	24/05/17 to 25/05/17		Corporate - Moira Miller
	3	Analysis of amounts included in General Fund but excluded from CI&E	24/05/17 to 25/05/17		Corporate - Moira Miller
	4	Transfer to from General Fund Balance	24/05/17 to 25/05/17		Corporate - Moira Miller
	5	Breakdown of amounts additional to surplus/deficit on CI&E	24/05/17 to 25/05/17		Corporate - Moira Miller
	6	Revaluation Reserve	24/05/17 to 25/05/17		Corporate - Moira Miller
	7	Capital Adjustment Account	24/05/17 to 25/05/17		Corporate - Moira Miller
	8	Usable Capital Receipts Reserve	24/05/17 to 25/05/17		Corporate - Moira Miller
	9	Capital Fund	24/05/17 to 25/05/17		Corporate - Moira Miller
	10	Financial Instruments Adjustment Account	24/05/17 to 25/05/17		Corporate - Moira Miller
	11	Repairs and Renewals	24/05/17 to 25/05/17		Corporate - Moira Miller
	12	Education	02/05/2017 to 03/05/17		Corporate - Moira Miller
	<b>13</b>	<b>Statement of Movement in Reserves Complete</b>	<b>26/05/2017</b>		<b>Corporate - Moira Miller</b>
	14	WGA - complete reserves section	26/06/2017		Corporate - Moira Miller
<i>6. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	1	Revaluation Reserve	01/06/17 to 05/06/17		Corporate - Moira Miller
	2	Capital Adjustment Account	01/06/17 to 05/06/17		Corporate - Moira Miller
	3	Capital Activities Cash/Non Cash Transactions	01/06/17 to 05/06/17		Corporate - Moira Miller
	4	Other Revenue Items not involving the movement of funds	01/06/17 to 05/06/17		Corporate - Moira Miller
	5	Accrual Adjustments	01/06/17 to 05/06/17		Corporate - Moira Miller
	6	Complete Operating Activities (Note 36)	01/06/17 to 05/06/17		Corporate - Moira Miller
	7	Complete Operating Activities Section of Statement	01/06/17 to 05/06/17		Corporate - Moira Miller
<i>Other Cash Flow Activities</i>	8	Investing Activities (Note 37)	01/06/17 to 05/06/17		Corporate - Moira Miller
	9	Financing Activities (Note 38)	01/06/17 to 05/06/17		Corporate - Moira Miller
	<b>10</b>	<b>Cash Flow Statement Complete</b>	<b>05/06/2017</b>		<b>Corporate - Moira Miller</b>
<i>7. Council Tax Income Account</i>	1	Prepare CTI Main Accounting Statement	17/05/17 to 22/05/17		Departmental - Damien Brolly
	2	Prepare and complete Calculation of Council Tax Base note	23/05/2017		Departmental - Damien Brolly
	<b>3</b>	<b>Council Tax Income Account Complete</b>	<b>23/05/2017</b>		<b>Departmental - Damien Brolly</b>
<i>8. NDR Income Account</i>	1	NDR Main Accounting Statement	24/05/17 to 29/05/17		Departmental - Damien Brolly
	2	Analysis of Rateable Values	30/05/2017		Departmental - Damien Brolly
	3	NDR Charge	30/05/2017		Departmental - Damien Brolly
	<b>4</b>	<b>NDR Income Account Complete</b>	<b>30/05/2017</b>		<b>Departmental - Damien Brolly</b>
<i>9. Remuneration Report</i>	1	Councillors - Review policy and arrangements for changes	13/03/17 to 14/03/17		Corporate - Moira Miller
	2	Councillors Remuneration	17/05/17 to 18/05/17		Consolidated Team - Ailsa Laing
	3	Senior Councillors' Remuneration	19/05/17 to 22/05/17		Consolidated Team - Ailsa Laing
	4	Obtain Pension Information for Senior Members	19/05/17 to 22/05/17		Corporate - Moira Miller

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
	5	Senior Councillors Pension Benefits	23/05/2017		Corporate - Moira Miller
	6	Review policy and arrangements - senior employees	13/03/17 to 14/03/17		Corporate - Moira Miller
	7	Employees remuneration (Bands over £50,000)	23/05/17 to 24/05/17		Consolidated Team - Ailsa Laing
	8	Senior Employees' Remuneration	25/05/2017		Consolidated Team - Ailsa Laing
	9	Obtain Pension Information for Senior Employees	25/05/2017		Corporate - Moira Miller
	10	Senior Employees' Pension Benefits	26/05/2017		Corporate - Moira Miller
	11	Employee Exit Packages	02/05/17 to 08/05/17		Departmental - Damien Brolly
	12	<b>Remuneration Report Complete</b>	<b>26/05/2017</b>		<b>Corporate - Moira Miller</b>
	13	Submit draft remuneration report to SMT (5 June 2017 meeting)	31/05/2017		Corporate - Moira Miller
	14	Brief Council Leader on remuneration report	w/c - 29/05/2017		Head of Strategic Finance
	15	E-mail all members appearing on remuneration report with details.	w/c - 29/05/2017		Corporate - Moira Miller
<b>10. Group Accounts</b>	1	Determination of Group Structure	01/03/2017		Corporate - Moira Miller
	2	Single Entity Accounts	02/06/2017		Corporate - Moira Miller
	3	Common Good Accounts	02/06/2017		Corporate - Moira Miller
	4	Associates Accounts	02/06/2017		Corporate - Moira Miller
	5	Health and Social Care Integration Accounts	02/06/2017		Corporate - Moira Miller
	6	Consolidation	02/06/2017		Corporate - Moira Miller
	7	Completion of Group Accounts and Notes	02/06/2017		Corporate - Moira Miller
	8	<b>Group Accounts and Notes Complete</b>	<b>02/06/2017</b>		<b>Corporate - Moira Miller</b>
<b>11. Corporate Governance Statement</b>	1	Completion of Corporate Governance Statement	By 02/06/2017		Kevin Anderson
<b>12. Management Commentary</b>	1	Completion of Management Commentary	By 02/06/2017		Corporate - Peter Cupples
	1	<b>2016-17 ANNUAL ACCOUNTS COMPLETE</b>	<b>02/06/2017</b>		<b>Corporate - Moira Miller</b>
<b>13. Summary Accounts and Financial Snapshot</b>	1	Complete Summary Accounts and Financial Snapshot	17/05/17 to 02/06/17		Corporate - Elizabeth Moller
<b>14. Treasury Management Annual Report</b>	1	Complete Treasury Management Annual Report	17/05/17 to 02/06/17		Corporate - Sandra Coles
<b>15. Year-end Capital Plan Monitoring Report</b>	1	Complete Year-end Capital Plan Monitoring Report and covering Committee Report	17/05/17 to 02/06/17		Corporate - Anne Macdougall
<b>16. S106 Charity Accounts Prepared</b>	1	Prepare S106 Charity Accounts	17/05/17 to 02/06/17		Corporate - Sandra Coles
<b>17. Final Procedures</b>	1	Strategic Management Team Meeting (SMT)	05/06/2017		SMT
	2	Head of Strategic Finance final review of Annual Accounts, and accompanying year end reports (See above 13-17)	06/06/17 to 09/06/17		Head of Strategic Finance
	3	SMT/Full Council/ Audit Committee Papers ready (complete year end pack) to be sent Governance and Law	06/06/17 to 09/06/17		Corporate - Peter Cupples

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
	4	Brief Council Leader/senior politicians on Annual Accounts and accompanying reports pack.	w/c - 05/06/2017		Head of Strategic Finance
	5	Audit Committee	23/06/2017		Head of Strategic Finance
	6	Full Council Meeting (Special)	29/06/2017		Head of Strategic Finance
	7	Signature by Head of Strategic Finance	29/06/2017		Head of Strategic Finance
	8	<b>Unaudited Accounts produced and submitted to appointed auditor</b>	<b>29/06/2017</b>		<b>Corporate - Moira Miller</b>
	9	<b>Unaudited Accounts published on Local Authority website.</b>	<b>29/06/2017</b>		<b>Consolidated Team - Linda Williamson</b>
<b>18. Notice of Public Right to Inspect and Object to Accounts</b>	1	Preparation of Public Notice for placing in local papers	08/06/2017		Consolidated Team - Linda Williamson
	2	Public Notice placed in local papers (Section 195 of the 1973 Act)	15/06/17 to 16/06/17		Consolidated Team - Linda Williamson
	3	Public Notice placed on Local Authority website	15/06/2017		Consolidated Team - Linda Williamson
	4	Public Notice placed in offices of the Local Authority	15/06/17 to 21/07/17		Consolidated Team - Linda Williamson
	5	Distribution of Unaudited Annual Accounts to Area Offices	30/06/2017		Consolidated Team - Linda Williamson
	6	Period of Inspection of Unaudited Annual Accounts	03/07/17 to 21/07/17		General Public
	7	Period for registering an objection	03/07/17 to 21/07/17		General Public
<b>19. Whole of Government Accounts Return</b>	1	Net Cost of Service Analysis	17/07/17 to 19/07/17		Corporate - Moira Miller
	2	Net Operating Expenditure (Group Accounts)	20/07/2017		Corporate - Moira Miller
	3	Counter Party Data	21/07/2017		Corporate - Moira Miller
	4	Infrastructure Assets	24/07/2017		Departments - Roads and Amenity
	5	Additional Disclosures	24/07/2017		Corporate - Moira Miller
	6	<b>Unaudited WGA Return complete and returned to Scottish Government</b>	<b>24/07/2017</b>		<b>Corporate - Moira Miller</b>
	7	Submission of Unaudited WGA Return to External Audit	24/07/2017		Corporate - Moira Miller
	8	Sign off of WGA Return and electronic submission to Scottish Government	02/10/2017		External Audit / Corporate - Moira Miller
<b>20. Final Accounts Audit</b>	1	Final Accounts Audit Field Work	03/07/17 to 25/08/17		External Audit
	2	Final Clearance Meeting with Head of Strategic finance	w/c - 28/08/2017		David McConnell (Audit Scotland) and Head of Strategic Finance
	3	Amendments processed and Production of Final Accounts complete with Audit Certificate for signing (latest date 15/09/2017)	w/c - 04/09/2017		Corporate - Moira Miller
	4	Production and agreement of ISA 260 report from External Audit (latest date 16/09/2016)	w/c - 05/09/2016		External Audit
	5	Audit Committee - Consideration of ISA 260 report and Final Audited Accounts	by 29/09/2017		Audit Committee

**Appendix 2 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>2016-17 Dates</b>	<b>Actual 2016-17 Completed Dates</b>	<b>Lead Responsibility</b>
	<b>6</b>	Signing of Final Audited Accounts - Leader, Chief Executive, Head of Strategic Finance	by 29/09/2017		Leader, Chief Executive, Head of Strategic Finance
	<b>7</b>	Signing of Final Audited Accounts - Audit Certificate	by 29/09/2017		David McConnell - Audit Scotland
	<b>8</b>	Signed Audited Annual Accounts published on Website and distributed to local area offices and libraries,	by 31/10/17		Corporate - Moira Miller / Sandra Coles

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Appendix 3 - Health and Social Care Partnership Closedown Timetable

Work Area	Task No.	Task Description	2016/17 Dates	Lead Responsibility	Monitored / Actioned By	Comments
1. Capital Expenditure	1	Same as corporate schedule				
2. Capital Expenditure - Fixed Asset Processing	1	Equipment store stock take to be completed	31/03/2017	Equipment Store Manager	Mary	Mary to liaise with equipment store manager
	2	Cut off date for submission of stock certificate and detailed working papers to IS Finance Team	07/04/2017	Equipment Store Manager	Mary	Mary to liaise with equipment store manager
	3	Cut off date for checking, signing and submission of stock certificates to Corporate Accounting	12/04/2017	Principal Accountant - Integration Services	Mary and David	check and agree stock certificate
	4	Calculate net movement in the value of equipment owned by the SW Equipment Store and provide to Principal Accountant - Integration Services	19/04/2017	Corporate	Moira Miller	
3. Creditors Payments	1	Cut off date for submission of 2016/17 supplier invoices to creditors	31/03/2017	Department	David	E-mail to areas to remind them about deadline
	2	Cut off date for processing of 2016/17 SW supplier invoices through payables	07/04/2017	Creditors Section	Creditors	Malcolm to let David know when all blue batches are processed
	3	Final cheque run processed involving SW invoices	10/04/2017	Creditors Section	Creditors	Malcom to let David know when payrun is posted to general ledger
4. Revenue Accruals	1	Accrued/Prepaid expenditure templates issued to department	08/03/2017	Consolidated Team	Astrid	
	2	IS Finance Team issue accrual/prepayment calculation templates to department	10/03/2017	IS Finance Team	David	Issue with instructions and key dates
	3	Department completes accrued/prepaid expenditure template	03/04/2017 to 13/04/2017	Department	Finance Contacts	Provide support to admin and budget holders as necessary, monitor progress
	4	Accrued/prepaid expenditure template submitted to IS Finance Team for checking and consolidation	18/04/2017	Department	Sharon and Mary	Make sure that all of their service's templates have been returned
	5	Cut off date for checking and consolidation of accrued/prepaid expenditure templates for SW	20/04/2017	IS Finance Team	David and Sharon	Review templates and backup
5. PECOS	1	Issue SW PECOS reports to finance contacts for review and follow-up on queries with budget holders.	10/03/2017	IS Finance Team	David	Issue with other year end documents and guidance
	2	Mismatches to be cleared from PECOS system	30/03/2017	Department	Alistair, Karen and Alison	Monitor progress of requisitioners
	3	Unpaid PECOS orders report to be issued to IS Finance Team for inclusion on accruals template	03/04/2017	Consolidated Team	Astrid	
	4	PECOS accruals to be added to central template	04/04/2017	IS Finance Team	Alistair	
6. Debtors	1	Cut off date for processing debtors invoices in 2016/17	30/03/2017	Department	David	Include in year end instructions and issue reminder e-mail. Alistair and Alison to prepare year end recharges to NHS
	2	Cut off date for preparing residential and non-residential care debtors accruals	19/04/2017	IS Finance Team	Moira and Alison	
	3	Calculate adjustment to bad debt provision	18/04/2017	Corporate Team	Corporate	Backup to be provided to David for review and action in 2017/18 to reduce o/s debt
7. Payroll	1	Payroll journal processed in to the general ledger	18/04/2017	Payroll / Consolidated Team	Astrid	Astrid to let David know when completed
	2	Payroll accrual prepared	19/04/2017	IS Finance Team	Mary	Simple prorata approach to be used and adjustments to be prepared
8. CareFirst	1	Cut off for processing of charges to be charged to 2016/17	30/03/2017	Department	David	Instruction in year end guidance and e-mail reminder
	2	Final payables interface generated from CareFirst	30/03/2017	IS Finance Team	Karen	
	3	Snapshot of outstanding transactions taken from CareFirst	31/03/2017	IS Finance Team	Karen	Run year end reports for homecare, residential care, direct payment and adoption
	4	Recommence processing of invoices via CareFirst - all to be charged to April 2017/18 with year end adjustments processed via accrued/prepaid expenditure templates	03/04/2017	Department / Creditors	David	Instruction in year end guidance and e-mail reminder

**Appendix 3 - Health and Social Care Partnership Closedown Timetable**

Work Area	Task No.	Task Description	2016/17 Dates	Lead Responsibility	Monitored / Actioned By	Comments
9. Long Term Debt - Charging Orders	1	Prepare charging order journal entries and agree with Corporate Team	13/04/2017	IS Finance Team	Sharon	To be checked and agreed with David and Moira Miller
10. Consolidation	1	Take snapshot of general ledger following payrun including last of the SW supplier invoices being processed into 2016/17	12/04/2017	IS Finance Team	David	
	2	Create consolidation template to produce outturn	12/04/2017	IS Finance Team	David	Mary and Sharon to review workings
	3	Report outturn position	21/04/2017	IS Finance Team	David	Pass figure to Caroline Whyte to Agree with Kirsty Flanagan.
<b>END OF PROCESS</b>						

## Audit Committee Work Plan 2017 - 2018

This is an outline plan to facilitate forward planning of reports to the Audit Committee

Date	Report Designation	Lead Service	Regularity of occurrence/ consideration	Date of Reports to Committee Services	Additional Comment
Friday 24 March 2017					
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly	1 March 2017	
	Internal Audit Reports	Chief Internal Auditor	Quarterly	1 March 2017	
	External & Internal Audit Report Follow Up 2016 – 2017	Chief Internal Auditor	Quarterly	1 March 2017	
	Annual Audit Plan 2017 - 2018	Chief Internal Auditor	Annual	1 March 2017	
	Strategic Risk Assurance Mapping	Grant Thornton Audit Partners	Annual		
	External Audit Plan 2017/18	External Auditors	Annual	1 March 2017	
	Financial Statements Timetable 2016/17	Head of Strategic Finance	Annual	1 March 2017	
June 2017					
	Review of Code of Corporate Governance	Head of Strategic Finance and Executive Director – Customer Services	Annual		
	Internal Audit - Annual Report 2016/17	Chief Internal Auditor	Annual		
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly		

## Audit Committee Work Plan 2017 - 2018

	Internal Audit Reports to Audit Committee 2016/17	Chief Internal Auditor	Quarterly		
	External & Internal Audit Report Follow up 2015/16	Chief Internal Auditor	Quarterly		
	Audit Committee Annual Report 2015/16	Chair Audit Committee	Annual		
	Unaudited Financial Accounts	Head of Strategic Finance	Annual		
	External Audit Reports	External Auditors	Quarterly		
	Risk Management and Audit	Chief Executive	Annual		
	Local Scrutiny Plan 2016/17 – Audit Scotland	Head of Strategic Finance	One off report		
	Audit Committee Development: Action Plan	Vice-Chair Audit Committee	Quarterly		
September 2017					
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly		
	Internal Audit Reports to Audit Committee 2016/17	Chief Internal Auditor	Quarterly		
	External & Internal Audit Report Follow Up 2016/17	Chief Internal Auditor	Quarterly		
	National Fraud Initiative in Scotland	Chief Internal Auditor	Biannual		
	Treasury Management Assurance Report	Head of Strategic Finance	Annual		
	Audited Financial Accounts	Head of Strategic Finance	Annual		
	External Audit Annual	External Auditors	Annual		

## Audit Committee Work Plan 2017 - 2018

	Report				
	Review of Community Planning Partnership Governance	Executive Director - Community Services	Annual		
	Performance Management Reporting Update 2016	Executive Director - Customer Services	Annual		
December 2017					
	Internal Audit Summary of Activities	Chief Internal Auditor	Quarterly		
	Internal Audit Reports to Audit Committee 2016/17	Chief Internal Auditor	Quarterly		
	External & Internal Audit Report Follow – Up 2016/17	Chief Internal Auditor	Quarterly		
	Draft Annual Audit Plan 2017/18	Chief Internal Auditor	Annual		
	Risk Management Overview	Head of Strategic Finance	Annual		
	VAT Update Report	Head of Strategic Finance	Annual		
	Audit Committee Development Plan	Vice-Chair Audit Committee	Quarterly		
Future Reports – dates to be determined					
	Risk Management	Grant Thornton Audit Partners	Annual		

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