

Public Document Pack

Argyll and Bute Council

Comhairle Earra-Ghàidheal Agus Bhòid

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8 March 2023

NOTICE OF MEETING

A meeting of the **AUDIT AND SCRUTINY COMMITTEE** will be held **BY MICROSOFT TEAMS** on **THURSDAY, 16 MARCH 2023** at **11:00 AM**, which you are requested to attend.

Douglas Hendry
Executive Director

BUSINESS

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST**
3. **MINUTE OF PREVIOUS MEETING OF THE AUDIT AND SCRUTINY COMMITTEE HELD ON 20 DECEMBER 2022** (Pages 5 - 8)

AUDIT ITEMS

4. **INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES** (Pages 9 - 16)
Report by Chief Internal Auditor
5. **INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2022-23** (Pages 17 - 28)
Report by Chief Internal Auditor
6. **INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT** (Pages 29 - 48)
Report by Chief Internal Auditor

SCRUTINY ITEMS

7. **VERBAL UPDATE BY CHAIR(S) OF THE SCRUTINY PANEL(S)**
Verbal update by Martin Caldwell and Councillor Jim Lynch
8. **2023/24 INTERNAL AUDIT PLAN** (Pages 49 - 74)
Report by Chief Internal Auditor
9. **EXTERNAL AUDIT - 2022/23 ANNUAL PLAN**
Verbal Update by Mazars

10. **UNAUDITED ANNUAL ACCOUNTS 2022-23** (Pages 75 - 114)
Report by Head of Financial Services
11. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 115 - 170)
Report by Head of Financial Services
12. **BEST VALUE IMPROVEMENT ACTION PLAN UPDATE** (Pages 171 - 186)
Report by Chief Executive
13. **INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL** (Pages 187 - 212)
Report by Chief Internal Auditor
14. **SCRUTINY FRAMEWORK AND MANUAL ANNUAL REVIEW** (Pages 213 - 236)
Report by Chief Internal Auditor
15. **REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 (RIPSA) ANNUAL REPORT** (Pages 237 - 238)
Report by Executive Director with responsibility for Legal and Regulatory Support
16. **WORKPLAN** (Pages 239 - 242)
For noting and updating
17. **INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2022/23**
 - (a) Covering Report and Internal Audit Reports (Pages 243 - 284)
Report by Chief Internal Auditor
 - *Live Argyll – Events Management*
 - *Procurement*
 - *Customer Service Centre*
 - E1 (b) Internal Audit Report (Pages 285 - 300)
 - *Client Funds*

The Committee will be asked to pass a resolution in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public for items of business with an “E” on the grounds that it is likely to involve the disclosure of exempt information as defined in the appropriate paragraphs of Part 1 of Schedule 7a to the Local Government (Scotland) Act 1973.

The appropriate paragraphs are:-

E1

Paragraph 6

Information relating to the financial or business affairs of any particular person (other than the authority).

Audit and Scrutiny Committee

Martin Caldwell (Chair)

Councillor Graham Hardie

Councillor Reeni Kennedy-Boyle

Councillor Andrew Vennard

Councillor Daniel Hampsey

Councillor Mark Irvine

Councillor Jim Lynch (Vice-Chair)

Shona Barton, Governance Manager

Contact: Lynsey Innis, Senior Committee Assistant, Tel: 01546 604338

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**MINUTES of MEETING of AUDIT AND SCRUTINY COMMITTEE held BY MICROSOFT TEAMS
on TUESDAY, 20 DECEMBER 2022**

Present: Martin Caldwell (Chair)

Councillor Daniel Hampsey
Councillor Graham Hardie
Councillor Mark Irvine

Councillor Reeni Kennedy-Boyle
Councillor Jim Lynch
Councillor Andrew Vennard

Attending: Jane Fowler, Head of Customer Support Services
Paul MacAskill, Chief Internal Auditor
Shona Barton, Governance Manager
Mhairi Weldon, Senior Audit Assistant

1. APOLOGIES

The Chair welcomed everyone to the meeting.

There were no apologies for absence intimated.

2. DECLARATIONS OF INTEREST

Councillor Jim Lynch noted in relation to agenda item 5 (Internal and External Audit Report Follow Up 2022-23) that he was appointed to the Oban BID Board by the Council. Having taken note of the updated Standards Commission Guidance in relation to declarations (issued on 7 December 2021) with specific reference to 5.4(c) he did not consider that he had a relevant connection and as such would remain in the meeting and take part in consideration of the item.

3. MINUTES

(a) Minute of previous meeting held on 15 September 2022

The Minute of the previous meeting of the Audit and Scrutiny Committee, held on 15 September 2022 was approved as a correct record.

(b) Minute of the Special Meeting held on 22 November 2022

The Minute of the Special meeting of the Audit and Scrutiny Committee, held on 22 November 2022 was approved as a correct record.

4. INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES

The Committee gave consideration to a report providing a summary of Internal Audit activity and progress during quarter 3 of 2022/23 against the following areas:

Audits Completed

- Performance Management (HSCP)
- Directions (HSCP)

- Commissioning (HSCP)
- Heritage Assets
- Externally Funded Projects
- Early Years – Covid Funding
- Private Sector Grants and Housing Adaptations
- Oban Airport
- Campbeltown Aqualibrium

Audits in Progress

- Procurement
- Events Management
- Management of Debt and Debt Recovery
- Client Funds

The report also included information on the work carried out by the Counter Fraud Team (CFT) and provided an update on the work being undertaken by the CFT which feeds into the National Fraud Initiative (NFI) matching service.

Decision

The Audit and Scrutiny Committee agreed to note and endorse the Summary of Activities report.

(Reference: Report by Chief Internal Auditor, dated 20 December 2022, submitted)

5. INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2022-23

The Committee gave consideration to a report providing an update on all open actions as at 30 September 2022, including information on actions where the agreed implementation date had been rescheduled.

Decision

The Audit and Scrutiny Committee agreed to endorse the contents of the report.

(Reference: Report by Chief Internal Auditor, dated 20 December 2022, submitted)

6. INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2022/23

The Committee gave consideration to a report containing the action plans in relation to the following 9 audits:-

- Externally Funded Projects
- Heritage Assets
- Early Years
- Private Sector Grants and Housing Adaptations
- Oban Airport
- Live Argyll – Campbeltown Aqualibrium
- Performance Management (HSCP)
- Directions (HSCP)
- Commissioning (HSCP)

Decision

The Audit and Scrutiny Committee agreed to note and endorse the summary report and detail within each individual report.

(Reference: Report by Chief Internal Auditor, dated 20 December 2022, submitted)

Councillor Andrew Vennard joined the meeting during discussion of agenda item 7 (Verbal Update by Chair(s) of the Scrutiny Panel(s))

7. VERBAL UPDATE BY CHAIR(S) OF THE SCRUTINY PANEL(S)

Martin Caldwell, Chair of the Public Consultation Review Panel provided a short update in relation to the progress made since the review commenced. He advised that a meeting had been arranged with the Chief Internal Auditor for the New Year to discuss how best to define the scope of the review and that a further update would be provided to the next meeting of the Committee.

Councillor Jim Lynch, Chair of the Fly Tipping Review Panel provided a short update in relation to the progress made since the last meeting. He advised of the difficulties of defining fly tipping and in particular the issues that have presented in seeking information to allow for a fair review to be conducted. Councillor Lynch advised of the next steps in seeking information and that he hoped to be in a position to provide an update to the next meeting of the Committee.

8. COUNCIL 6-MONTH PERFORMANCE REPORT - APRIL TO SEPTEMBER 2022

Consideration was given to a report which presented the Council's 6-month Performance Report for April to September 2022.

Decision

The Audit and Scrutiny Committee:-

1. noted that the report presented the Council performance on strategic activities across all services;
2. reviewed and scrutinised the Council's 6-month Performance Report;
3. noted that the Strategic and Area Committees have responsibility to scrutinise operational performance; and
4. noted the planned activity for Performance Management and Reporting during 2022/23 onwards.

(Reference: Report by Executive Director with responsibility for Customer Support Services, dated 20 December 2022, submitted)

9. WORKPLAN

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

Decision

The Audit and Scrutiny Committee agreed to note the outline workplan.

(Reference: Audit and Scrutiny Committee Workplan, dated 20 December 2022, submitted)

ARGYLL AND BUTE COUNCIL**AUDIT & SCRUTINY COMMITTEE****FINANCIAL SERVICES****16 MARCH 2023**

INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES

1. SUMMARY

1.1 The objective of the report is to provide the Audit and Scrutiny Committee (the Committee) with a summary of Internal Audit activity and progress during quarter four of 2022/23.

1.2 Core activities together with a progress update statement are shown below:

- **2022/23 Audit Plan progress:** On track subject to available resources being in place for the full period of the approved plan and that one review is postponed until 2023-24 for organisational reasons and the second review relating to car parking is not now required as a departmental review has been undertaken.
- **Individual Audits undertaken:** Four audits have been completed during the period. Three audits have been assessed as providing high assurance, none as substantial assurance, none reasonable assurance and one as limited assurance. (Where HSCP Audits are included these are provided for information only).
- **Counter Fraud:** The Counter Fraud Team (CFT) is continuing to rebill council tax accounts and recovery of funds is underway. All other aspects and referrals are being considered, investigated and evaluated and the Counter Fraud Team remain vigilant to protect our public purse.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. No new issues have been identified this quarter and management have responded to previous quarter notifications.
- **Performance indicators:** Current status is green / on track.

2. RECOMMENDATIONS

2.1 To review and endorse the Summary of Activities report.

3. DETAIL

3.1 Four audits have been completed since the previous Committee in December 2022. One audit is currently in progress and will be to follow.

Audits Completed

- Procurement
- Events Management
- Client Funds

- Customer Service Centre

Audits in Planning / in Progress

reported to a future meeting of the Committee

- Purchasing Cards
- Building Standards
- Cyber Security
- Management of Debt & Debt Recovery
- Burial Records
- Counselling in Schools
- Equality and Socio-Economic Impact Assessment
- Payroll

3.2 In addition to those already in progress indicative audits planned for Quarter 4 2022/23 are:

3.3 2022/23 Audit Plan

- No further outstanding items to be progress on the amended plan.

3.4 The audit of Learning and Physical Disability Care Packages has been postponed until April 2023, this review will be now cover a much wider remit and include governance and management and will be included in the 2023-24 internal audit plan. This approach has been deemed appropriate by the relevant service and internal audit. In addition, it was deemed that due to an internal review of parking this would not require to be covered by internal audit. These remain the amendments to the original plan approved by the Committee.

Scrutiny

3.5 Scrutiny topics agreed for the 2022/23 plan were consultations and a follow-up review of Fly Tipping. A Terms of Reference has been produced for the Consultations review and a team identified, two meetings have taken place and attended by senior officers supporting the Panel. This report will be submitted to a future meeting of the Committee once it has been completed. Progress and follow up work on the 'Fly Tipping' review has been postponed until data becomes available to the Panel. It is now likely that this will be in the summer of 2023 but we will keep the Panel updated so this can commence as soon as possible.

Counter Fraud

3.6 The CFT is progressing well with both team members fully CIPFA accredited fraud investigators. Continued routine work is required to be able to accurately track the full income recovered from the team's work, however, based on the amount of additional billing, even accounting for a degree of non-recovery, the indications are that they are easily exceeding target. In addition they are raising awareness of the Council's zero tolerance to fraud and this will act as a deterrent to fraud being perpetrated in the first place. The team have recently visited Oban which has resulted in the rebilling of a number of accounts. A revisit to Bute and Dunoon is due within February and work is planned in other areas which include Helensburgh and the Islands early in the new financial year.

The new NFI exercise for 2022/23 has just been released after some technical delays from Cabinet Office. This exercise will be conducted throughout the year by officers and matches checked and closed accordingly.

- 3.7 The CFT are reviewing the information received from the National Fraud Initiative (NFI) matching service, work has commenced to follow these up locally.

Additional Updates from Quarter Three

- 3.8 Staff continue to work from home and this has proved to be successful; where on-site visits have been required due to the specific nature of the audit work to be undertaken, these visits have occurred in accordance with any guidance that was in place.
- 3.9 The Public Sector Internal Audit Standards (PSIAS) require the Council’s Chief Internal Auditor (CIA) to develop a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable the evaluation of internal audit’s conformance to the PSIAS. The QAIP must include annual internal self-assessments with a five yearly external assessment, carried out by an independent assessor. A programme of five yearly reviews has been prepared by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and these will be conducted by peer review, Argyll and Bute Council has been scheduled for review in September 2022 by East Dunbartonshire Council. This review has now been completed and a report forms part of the March papers to the Committee.

Continuous Monitoring

- 3.10 Our continuous monitoring programme is generally focused on transactional type activity. Standard audit tests are applied which are relevant to each auditable unit. Control design tests look at whether the controls in place adequately address the potential risk event. There have been no new findings within the quarter that require to be reported.

Table 2: Continuous Monitoring Findings

Auditable Area	Areas Tested	Issues Identified	Management comment / action
		None identified	

- 3.11 A follow up process is in place whereby management are advised of continuous monitoring findings and, where appropriate, requested to take remedial action. There are currently no outstanding follow-up points arising from previous testing. Due to the volume of continuous monitoring tests carried out the decision was made to report by exception only.

National Reports

- 3.12 A follow up process for national reports is in place whereby management are advised of national reports published and asked to confirm what, if any, action is

planned as a result of the report. Table 2 details the national reports issued during quarter four 2022/23.

Table 3: National Reports

National Report	Issued To	Detail	Management response/ Action taken
No new reports			

National Fraud Initiative (NFI)

- 3.13 NFI data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify potentially fraudulent claims and payments to be identified. Note though that 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. A reminder process is in place to ensure that matches are reviewed on a timely basis.
- 3.14 All required datasets for the 2022-23 exercise have now been uploaded to the NFI application and some matches were released for review on 29 January 2023 – there was a delay in Cabinet Office releasing all the data. Existing users have been reviewed and new users added where requested, all users have been informed that matches are available for review and progress will be monitored monthly by the Counter Fraud team and reported quarterly to the Audit and Scrutiny Committee. As of 17 February, most of the NFI exercise data has now been released, and initial work has started.

Table 4: National Fraud Initiative Progress at 12/02/2023

Operational Area	Total Matches	Recommended/Very High / High Risk Matches	Matches Complete	WIP	Match Description
CT to Elect Register	1155	0	1155	0	CT records to Electoral Register/ other data sets to ensure discount awarded to only those living alone aged over 18, taking into account disregarded occupants. (CT to other Datasets will not be progressed further due to poor quality data)
CT rising 18s	208	0	208	0	
Housing Benefits	11	5	0	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	141	0	0	0	Payroll records to other datasets including other payrolls and

					pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	0	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	200	182	0	0	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	259	138	0	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	589	0	0	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Procurement	38	0	0	0	Payroll records to Companies House and creditors data to identify employees who appear to have a personal interest in a company that the authority has traded with.

Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
1,363	0	1,363	0	0	0	0	0

Internal Audit Development

3.15 The table below details progress against the action points in our Internal Audit development plan.

Table 5: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
Clearer referencing of findings referred to in the Annual Audit Report and that within the Annual Governance Statement (AGS) and Vice Versa	Once the AGS has been reviewed, work will then commence on updating the Internal Audit Annual Report so that clearer referencing can be accommodated between both documents for ease of use.	Work commenced on the review of the AGS	August 2023
Create SharePoint list to track audit actions.	Information recorded on the Access DB will be transferred to a new SharePoint list allowing officers to update progress themselves. New actions will be added to this list when audit reports are published.	Complete	March 2023

Review Continuous Monitoring Programme	Continuous monitoring tests will be reviewed following audit of Debt recovery to assess value of existing tests carried out. Consider adding test to review date taken to process invoices from date of receipt within the Council (not at Creditors)	In progress	June 2023
Update format of template for quarterly reporting of progress in implementing audit actions.	Data extracted from the new SharePoint list will be exported to Excel and manipulated into a format that can be copied to the cover report template on word.	Template and formulae updated, these will be tested Q1 2023 report.	June 2023

3.16 Internal Audit scorecard data is available on pyramid. The indicators reported are aligned to those for internal audit in the Financial Services service plan. All indicators are shown as currently being on track.

Table 6: Internal Audit Team Scorecard

Internal Audit Team Scorecard 2022– 23 – FQ3 22/23 (as at December 2022)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	95%	G ↓
	Target	80%	
Review of Strategic Risk register	Status	On Track	G →
	Target	On Track	
Percentage of audit plan completed	Status	100%	G →
	Target	100%	
Percentage of audit recommendations accepted by management	Actual	100%	G →
	Target	100%	

4 CONCLUSION

4.1 The 2022/23 audit plan is on track and the Counter Fraud Team is continuing with visits and pro-active work throughout Argyll and Bute.

5 IMPLICATIONS

5.1 Policy - Internal Audit continues to adopt a risk based approach to activity

5.2 Financial –None

5.3 Legal –None

5.4 HR – None

5.5 Fairer Scotland Duty – None

5.5.1 Equalities – None

5.5.2 Socio-Economic Duty – None

- 5.5.3 Islands Duty – None
- 5.6 Climate Change – None
- 5.7 Risk – None
- 5.8 Customer Service – None

For further information please contact Internal Audit (01546 604108)

Paul Macaskill

Chief Internal Auditor

16 March 2023

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ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****16 March 2023**

INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2022-23

1.0 INTRODUCTION

- 1.1 Internal and external audit reports include an action plan with a management response establishing the agreed action, timescale and responsible officer. Internal Audit record these in SharePoint and, on a monthly basis, follow them up to ensure they are being progressed.
- 1.2 This report updates the committee on all open actions as at 31 December 2022 including information on actions where the agreed implementation date has been rescheduled.

2.0 RECOMMENDATIONS

- 2.1 To endorse the contents of the report.

3.0 DETAIL

- 3.1 The two tables below provide a numerical summary of open audit actions with a split between actions due by and due after 31 December 2022.
- 3.2 Appendix 1 provides further detail on actions that have either been delayed and rescheduled or for which Internal Audit have received no response from the service to inform this follow up.

Table 1 - Actions Due by 31 December 2022

Service	Complete	Delayed & Rescheduled	Total
INTERNAL AUDIT			
CE – Financial Services	1	1	2
DH – Commercial Services	0	1	1
DH – Learning & Teaching	1	0	1
DH – Legal & Regulatory	1	3	4
KF – Customer Support Services	1	0	1
KF – Development & Economic Growth	0	1	1
KF – Roads & Infrastructure Services	1	6	7
H&SCP (IJB) – Adult Services (Older Adults & Community Hospitals)	0	1	1
H&SCP (IJB) – Finance & Transformation	0	1	1
H&SCP (SW) – Adult Services (Mental Health Learning Disability, Addictions & Lifelong Conditions)	0	1	1
EXTERNAL AUDIT			
Nil			
TOTAL	5	15	20

Table 2 - Actions due after 31 December 2022

Service	Complete	On Course	Delayed & Rescheduled	Total
INTERNAL AUDIT				
CE – Financial Services	0	5	1	6
H&SCP (SW) – Adult Services (Mental Health Learning Disability, Addictions & Lifelong Conditions)	1	0	0	1
DH – Commercial Services	0	4	0	4
DH – Learning & Teaching	0	2	0	2
DH – Legal & Regulatory	0	3	0	3
DH – Lifelong Learning & Support	0	0	1	1
KF – Customer Support Services	0	1	0	1
KF – Development & Economic Growth	0	3	0	3
KF – Roads & Infrastructure Services	0	0	1	1
H&SCP (IJB) – Adult Services (Older Adults & Community Hospitals)	0	3	0	3
H&SCP (IJB) – Strategic Planning & Performance	0	5	0	5
LiveArgyll	0	1	0	1
EXTERNAL AUDIT				
Nil				
TOTAL	1	27	3	31

4.0 CONCLUSION

4.1 Satisfactory progress continues to be made implementing audit actions

5.0 IMPLICATIONS

5.1	Policy - None
5.2	Financial - None
5.3	Legal - None
5.4	HR - None
5.5	Fairer Scotland Duty - None
5.5.1	Equalities – None
5.5.2	Socio-Economic Duty – None
5.5.3	Islands Duty - None
5.6	Risk –None
5.7	Customer Service – None

Paul MacAskill
Chief Internal Auditor
16 March 2023

For further information contact: Paul MacAskill, 01546 604108
Paul.macaskill@argyll-bute.gov.uk

APPENDICES

Appendix 1 – Action Plan Points Delayed & Rescheduled or with No Response

Appendix 1 - Action Plan Points Delayed & Rescheduled or with No Response

Action Plan Points Due by 31 December 2022				
Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
FINANCIAL SERVICES - SYSTEMS INTERFACES & RECONCILIATIONS				
<p>General Ledger Reconciliations There is no reconciliation performed between the source system and the general ledger for ResourceLink, PECOS, Concerto and Tranman and the SEEMIS interface for clothing grants.</p> <p>Medium</p>	<p>Reconciliations will be performed following consideration of data and technical requirements.</p>	<p>31 Mar 2021 31 Dec 2021 30 Jun 2022 30 Sep 2022 31 Oct 2022 28 Feb 2023</p>	<p>Senior Accountant is liaising with the systems administrator for Resource Link and continuing to try and find a solution using cognos. We hope to conclude this by end of February 2023.</p> <p>Delayed and Rescheduled</p>	<p>Resourcelink - Pensions & Payroll Officer</p>
COMMERCIAL SERVICES - SYSTEMS INTERFACES & RECONCILIATIONS				
<p>General Ledger Reconciliations There is no reconciliation performed between the source system and the general ledger for ResourceLink, PECOS, Concerto and Tranman and the SEEMIS interface for clothing grants.</p> <p>Medium</p>	<p>Data in the source system may not be accurately reflected in the general ledger.</p>	<p>31 Mar 2021 30 Sep 2021 31 Dec 2021 30 Jun 2022 31 Dec 2022 31 Mar 2023</p>	<p>Meeting arranged to bring action to a close, expected to complete during January 2023.</p> <p>Delayed and Rescheduled</p>	<p>Concerto - Property Design Manager</p>
LEGAL & REGULATORY SUPPORT - INFORMATION ASSET REGISTERS				
<p>Information Asset Registers</p> <p>The two Social Work IARs were not available for review or located on the designated sharepoint site. Of the remaining ten, four require to be updated to reflect the latest GDPR requirements.</p> <p>Clarity over whether the Live Argyll IAR comes under the remit of the Governance, Risk & Safety Manager's responsibility is required.</p> <p>High</p>	<p>Social Work IARs to be completed and approved by appropriate management teams</p>	<p>31 Dec 2020 30 Jun 2021 30 Sep 2021 31 Dec 2021 30 Jun 2022 31 Dec 2022 30 Jun 2023</p>	<p>IAR development work in progress with information management consultants - new format and reporting route to be agreed.</p> <p>Delayed and Rescheduled</p>	<p>Governance, Risk & Safety Manager</p>

Action Plan Points Due by 31 December 2022

Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
<p>Periodic Review and Agreement of Information Asset Registers</p> <p>For four of the 12 IARs there was no evidence they had been agreed by the relevant DMT. Furthermore IARs need to be reviewed to ensure they are aligned to the new Corporate structure. The RMP requires that IAR's should have a complete action plan to document required changes. Two of the 12 IARs had an action plan, two had action plans that did not fully meet the requirements of the RMP and eight had no action plan.</p> <p>Medium</p>	<p>Obtain annual approval from DMTs for all completed IARs</p>	<p>30 Sep 2020 31 Mar 2021 30 Sep 2021 31 Dec 2021 30 Jun 2022 31 Dec 2022 30 Jun 2023</p>	<p>IAR development work in progress with information management consultants - new format and reporting route to be agreed.</p> <p>Delayed and Rescheduled</p>	<p>Governance, Risk & Safety Manager</p>
<p>Periodic Review and Agreement of Information Asset Registers</p> <p>For four of the 12 IARs there was no evidence they had been agreed by the relevant DMT. Furthermore IARs need to be reviewed to ensure they are aligned to the new Corporate structure.</p> <p>The RMP requires that IAR's should have a complete action plan to document required changes. Two of the 12 IARs had an action plan, two had action plans that did not fully meet the requirements of the RMP and eight had no action plan.</p> <p>Medium</p>	<p>Action plans for all IARs to be put in place and agreed by management teams</p>	<p>30 Sep 2020 31 Mar 2021 30 Sep 2021 31 Dec 2021 30 Jun 2022 31 Dec 2022 30 Jun 2023</p>	<p>IAR development work in progress with information management consultants - new format and reporting route to be agreed.</p> <p>Delayed and Rescheduled</p>	<p>Governance, Risk & Safety Manager</p>

Action Plan Points Due by 31 December 2022				
Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
DEVELOPMENT & ECONOMIC GROWTH - Planning Applications				
<p>Procedure Document There are no established written procedural documents in place, staff follow a series of workflow processes which are aligned to legislative requirements and current guidance.</p> <p>High</p>	<p>Review and update of existing written procedures to provide a collated procedural document for the handling of planning applications.</p>	<p>31 Dec 2022 30 Jun 2023</p>	<p>Staff availability to progress this has been limited - extension to Summer 2023 agreed.</p> <p>Delayed and Rescheduled</p>	<p>Process and Productivity Improvement Officer</p>
ROADS & INFRASTRUCTURE SERVICES - FLEET MANAGEMENT				
<p>Management of Pool Cars A high level analysis of the use of pool cars suggests the Council could generate considerable savings through more efficient use of pool cars. Fleet Services should explore this further via a more detailed review which should consider the potential benefits of:</p> <ul style="list-style-type: none"> - a more centralised approach to the administration and booking of pool cars - better promotion of the use of pool cars - providing greater visibility of bookings and destinations to encourage pool car sharing - implementing or developing a pool car booking system - identifying ways of transferring the balance of pool car usage from shorter journeys to longer ones <p>VFM</p>	<p>The pool car module will be released through Tranman. The pool car module offers a centralised approach to bookings and visibility. The Council's internal communications department will be contacted to highlight the use of the pool cars. Work will be undertaken to increase usage.</p>	<p>30 Sep 2020 31 Dec 2020 30 Jun 2021 31 Dec 2021 30 Apr 2022 29 Jul 2022 30 Sep 2022 31 Dec 2022 30 Apr 2023</p>	<p>The system is currently being tested, however, errors have been identified. Once the errors are resolved, the system will operate alongside the current system to ensure that all errors and fault codes are cleared, with a view to a full changeover from the current system to the new system and full implementation on the 30th April 2023.</p> <p>Delayed and Rescheduled</p>	<p>Procurement/Technical Officer</p>

Action Plan Points Due by 31 December 2022				
Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
ROADS & INFRASTRUCTURE SERVICES - STREET CLEANING				
<p>Partnership Agreement</p> <p>Oban Business Improvement District (BID) has agreed to fund an additional seasonal street sweeper employed by the Council. The street sweeper has been appointed through the Council's recruitment process, however no formal agreement is in place and income from BID has not been received.</p> <p>High</p>	<p>Formalise arrangements with Oban BID for the funding of the seasonal street sweeper</p>	<p>30 Apr 2022 30 Sep 2022 30 Dec 2022 31 Mar 2023</p>	<p>The partnership continues to work with the BIDS group funding additional street sweeping services in Oban. Discussions are ongoing with colleagues in Legal Services to establish a partnership agreement. A draft agreement has now been written up for the forthcoming season. This will be signed off at the pre-season meeting with BIDs and operations personnel. Draft agreement provided.</p> <p>Delayed and Rescheduled</p>	<p>Operations Manager, Roads & Infrastructure Services</p>
<p>Updating of ELM</p> <p>Local Environment Teams (LETs) are not currently using tablet devices to indicate that work allocated has been completed. Supervisors are updating the system in some areas but this is not consistent across the Council.</p> <p>Low</p>	<p>Reintroduce use of handheld devices subject to ongoing Covid restrictions etc. to allow efficient updates to ELM.</p>	<p>31 Jul 2022 30 Dec 2022 31 Mar 2023</p>	<p>We are experiencing some hardware problems and access issues. Refresher training has been arranged and will take place during the month of October. Unfortunately due to staff sicknesses and annual leave this training has not yet taken place, however the training has been re-arranged for February 2023 to ensure everyone is fully re-trained ahead of the forthcoming season in April.</p> <p>Delayed and Rescheduled</p>	<p>Operations Manager, Roads & Infrastructure Services</p>

Action Plan Points Due by 31 December 2022

Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
<p>Warden Service Coverage</p> <p>The four environmental wardens that are expected to cover the whole of the Council area, including the islands, are not geographically spread to ensure there is efficient cover across the four Council administration areas. In particular, since 2018, there has been no warden based in the MAKI area which has resulted in:</p> <ul style="list-style-type: none"> - disproportionately low level of warden service in MAKI compared to the other administrative areas - where work is required in MAKI the majority of the warden's time is spent commuting rather than delivering the required services. <p>High</p>	<p>Consider opportunities to either restructure/ review overall service delivery to provide additional warden cover or alternatively look to generate additional income to facilitate additional FTEs and a more equitable spread of resource.</p> <p>This will help inform any input into the 2022 budget process.</p>	<p>30 Jun 2022 31 Dec 2022 31 Mar 2023</p>	<p>The gathering of information and talks with Network & Standards (N&S), colleagues are ongoing with regards combining the Car Parking Wardens and Staycation Wardens with the Amenity Warden Service.</p> <p>Delayed and Rescheduled</p>	<p>Operations Manager, Roads & Infrastructure Services</p>
<p>Second Bin Service Verification</p> <p>Wardens are expected to verify the veracity of applications from customers for a second domestic bin service. This requires the warden to confirm that information provided by the customer is accurate and meets the defined criteria. The information provided to substantiate an application can be very personal and sometimes of a sensitive medical nature. Wardens have been asked to provide this service but have received no formal training in how to ensure a customer's dignity is maintained or to ensure they are aware of the requirements of General Data</p>	<p>Review the process for:</p> <ul style="list-style-type: none"> - Dealing with requests for new and replacement bins. 	<p>30 Jun 2022 30 Sep 2022 31 Dec 2022 30 Jun 2023</p>	<p>Discussions have taken place with the Governance team regarding the collation of information and distribution those applicants who have medical needs will automatically receive the service. The service are looking to tie this into a new proposed policy. The waste policy has to be prepared for the EDI committee in June 2023.</p> <p>Delayed and Rescheduled</p>	<p>Operations Manager, Roads & Infrastructure Services</p>

Action Plan Points Due by 31 December 2022

Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
<p>Protection Regulation (GDPR) in relation to personal data for this specific process.</p> <p>Due to the sensitivity of this process, and the potential risks associated with data protection it is recommended that the current verification process is reconsidered to determine if it is appropriate to maintain it in its current form. If it is decided it should be retained then there should be engagement with the Council's Governance and Risk Manager to ensure it is being carried out in full compliance with GDPR.</p> <p>High</p>	<p>Review the process for:</p> <p>Review the second bins that are in place and the process for rationalising. This review to also give consideration to composition and identify opportunity to increase recycling and reduce general waste.</p>	<p>30 Sep 2022 30 Dec 2022 30 Jun 2023</p>	<p>The roads and amenity administration staff have pulled together the information in relation to bins that have been approved. We are now in the process of identifying those who have received a bin for medical needs these will be eliminated from the future assessment of those applicants who will be invited to re-apply. This is in line with the advice received from the governance team. The service are also in the process of drafting a new waste policy to further increase recycling and reduce general waste. The waste policy has to be prepared for the EDI committee in June 2023.</p> <p>Delayed and Rescheduled</p>	<p>Operations Manager, Roads & Infrastructure Services</p>
<p>ADULT SERVICES (OLDER ADULTS & COMMUNITY HOSPITALS)HSCP - CARE PROGRAMME APPROACH</p>				
<p>Client Records</p> <p>There is no consistent agreed process for maintaining client records, including the recording and sharing of information.</p> <p>High</p>	<p>HSCP expect to transition to new Eclipse system. Implementation of the new system and associated processes and procedures will address this recommendation and the Data Officer will be involved in the development of processes and procedures.</p>	<p>30 Jun 2022 30 Sep 2022 31 Mar 2023 30 Jun 2023</p>	<p>A further delay is required as the Eclipse project has been delayed further. Roll out is now anticipated to be complete in May 2023.</p> <p>Delayed and Rescheduled</p>	<p>Service Manager/ Eclipse Project Manager</p>

Action Plan Points Due by 31 December 2022				
Finding & Priority	Agreed Action	Dates	Comment / Status	Responsible Officer
FINANCE/TRANSFORMATION H&SCP - Complaints Handling				
Training Training should be provided in the complaints handling procedures for the IJB Low	Complaints Handling Training will be incorporated into staff training processes.	30 Sep 2022 30 Nov 2022 30 Jun 2023	This is now complete in respect of council employees. Within the NHS part of the HSCP there is work underway to review training materials and training programme. Delayed and Rescheduled	Chief Nurse-NHS Highland
ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS & LIFELONG CONDITIONS/CSWO)SW - CHARGING FOR NON-RESIDENTIAL CARE SERVICES				
Service Uptake Data Records held on Carefirst do not allow for an analysis of the level of service uptake compared to those assessed as having a need. If this analysis could be performed it would help inform discussions and decisions in relation to service uptake, charges and barriers to uptake. It would be advisable to progress this issue in conjunction with the CareFirst replacement programme which is scheduled to be complete by April 2022. VFM	Recommendation accepted. Further discussion will be held with supplier to include service uptake functionality and reporting capabilities on new system from April 2022.	31 Mar 2022 30 Sep 2022 31 Mar 2023 30 Jun 2023	A further delay to the Eclipse project has now been reported - roll out is expected to complete by end May 2023. Delayed and Rescheduled	Deputy Head of eHealth HSCP

Action Plan Points Due After 31 December 2022				
Finding & Priority	Agreed Action	Dates	Comment	Responsible Officer / Status
FINANCIAL SERVICES - CAPITAL MONITORING				
<p>Capital Programme Planning & Management Guide The Council's Capital Guide has not been revised since 2018 and requires a review to ensure it reflects current working practices and provides appropriate support to officers involved in the capital monitoring process. The Council is currently developing a new Capital Strategy which is to be presented to the Policy and Resources Committee in August 2021 and we recognise that a review of the Guide should be conducted after the Strategy has been finalised to ensure the two documents complement each other and. The Guide could also benefit from being linked to, or referencing, other relevant Council processes, in particular the Project Management section on the Hub.</p> <p>Medium</p>	<p>Capital Planning and Management Guide to be updated once the Capital Strategy has been approved to ensure the two are aligned and provide clarity.</p>	<p>31 Mar 2022 30 Sep 2022 31 Dec 2022 31 Mar 2023 30 Sep 2023</p>	<p>Similar to the FTPP document, this is dependent on the completion of the Capital Investment Strategy which the Head of Commercial Services has advised will not be going to P&R in October as intended. This report is likely to go to P&R early 2023-24 therefore the Management Guide will not be updated until this has happened.</p> <p>Delayed and Rescheduled</p>	<p>Head of Commercial Services/Finance Manager</p>
LIFELONG LEARNING & SUPPORT - ADDITIONAL SUPPORT NEEDS				
<p>Format of Child Plans</p> <p>The Council do not use a standard format for child plans however this will be addressed when all plans are recorded on SEEMiS. However sample testing highlighted that plans do not always include a next review date.</p> <p>Low</p>	<p>As child plans are reviewed over the coming school session 2019-20 they will be converted onto the Well-being App format, this format contains a "Date of Next review" field. Schools will be supported to change all plans to the new format within the Well-being App by Area Principal Teachers. During the year there will be checks to see how many plans have been converted and to check if the date of review field has been completed.</p>	<p>30 Sep 2020 31 Dec 2020 30 Jun 2021 30 Jun 2022 31 Jan 2023 30 Apr 2023</p>	<p>From the drill down report and the staged intervention levels there are 20% of schools where child plans have not been transferred to the WBA. The Education Officer and Head of Service will be assertive with Head Teachers and make it clear this has to be completed as soon as possible.</p> <p>Delayed and Rescheduled</p>	<p>Education Officer</p>

ROADS & INFRASTRUCTURE SERVICES - FLEET MANAGEMENT				
<p>Driving Hours Compliance</p> <p>Fleet drivers not subject to EU legislation maintain manual driving records which are handed to supervisors on a weekly basis to check and sign. This is a resource intensive process which is subject to human error. There would be clear process efficiency gains and less risk of error if the Council adopted the system already in place for fleet drivers subject to EU legislation and rolled out electronic driver cards to all fleet drivers.</p> <p>Low</p>	<p>The key officer will ensure that all drivers hold and use tachograph cards to move away from the paper book records.</p>	<p>31 Dec 2020 31 Mar 2021 30 Jun 2021 31 Mar 2022 30 Jun 2022 31 Aug 2022 31 Mar 2023 31 May 2023</p>	<p>Training for using the tachographs is underway and will continue through the month of February. The operations team have highlighted staff shortage as the reason the training has been delayed. All equipment is in place. The roll out and implementation of use will be after the winter programme is complete. The date for implementation is 22nd May 2023. The new date will allow for sufficient training to be undertaken and information sessions given by the Fleet team.</p> <p>Delayed and Rescheduled</p>	<p>Procurement/Technical Officer</p>

ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****STRATEGIC FINANCE****16 MARCH 2023**

INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT

1.0 INTRODUCTION

- 1.1 This report is to inform the Audit and Scrutiny Committee of the findings from the recent external quality assessment of the Council's Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

2.0 RECOMMENDATIONS

- 2.1 Members of the Committee are requested to review and endorse the findings of the assessment at Appendix 1 including the agreed action plan.

3.0 DETAIL

- 3.1 The mandatory Public Sector Internal Audit Standards (PSIAS), published in April 2013 and updated in March 2017, apply to all internal audit service providers in the UK public sector. To supplement the PSIAS, and provide specific guidance surrounding its application within a local government setting, the Chartered Institute of Public Finance and Accountancy (CIPFA) compiled a Local Government Application Note, (LGAN) which was updated in 2019.
- 3.2 The PSIAS require the Chief Audit Executive (the Chief Internal Auditor (CIA) in Argyll and Bute Council) to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five yearly external assessments, carried out by a qualified, independent assessor from outwith the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Mission of Internal Audit, Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.
- 3.3 The Scottish Local Authorities Chief Internal Auditors' Group has developed an external quality assessment framework to satisfy the requirement for a five yearly external assessment. The attached report sets out the findings from the external quality assessment of Argyll and Bute Council's Internal Audit service, which was recently undertaken by the Chief Internal Auditor of East Dunbartonshire Council.

3.4 The key points/themes of the report to highlight are:

- The overall conclusion of the external assessment is that Argyll and Bute Council's Internal Audit service **fully conforms** with the PSIAS and the LGAN for internal audit in the United Kingdom;
- The team is highly qualified with a training plan in place to address any skills gaps within the team and delivers a high quality service for the Council and which is evident by the questionnaires returned after the completion of each review;
- A thorough and comprehensive audit pack was submitted and evidenced which assisted the assessment process.

3.5 The full assessment and observations by the assessor on each area of assessment are contained in Appendix 1.

4.0 CONCLUSION

4.1 The Internal Audit service has been assessed as fully compliant with PSIAS. Two minor areas were identified which could be further developed for completeness and ease of demonstration of compliance, both issues have been accepted. One of these recommendations has already been implemented and the other will be implemented as part of the review of the Annual Governance Statement and Internal Audit Annual Report later in the summer of 2023.

4.2 Overall the CIA is satisfied that comprehensive arrangements are in place within Argyll and Bute Council's internal audit service which strongly support the organisation and those charged with governance responsibilities, including but not limited to the Monitoring Officer, Section 95 Officer and the Audit and Scrutiny Committee.

4.3 The CIA would like to express his sincere appreciation to the Assessor, Gillian McConnachie who undertook a detailed and in depth review in accordance with the Standards and also for the fair and professional way it was undertaken.

5.0 IMPLICATIONS

5.1 Policy – None

5.2 Financial - None directly from this report however an effective Internal Audit service assists with effective governance and stewardship of Council resources

5.3 Legal – None

5.4 HR - None

5.5 Fairer Scotland Duty - None

5.5.1 Equalities – None

5.5.2 Socio-Economic Duty – None

5.5.3 Islands Duty - None

- 5.6 Risk – None
- 5.7 Customer Service - None

Paul Macaskill
Chief Internal Auditor
16 March 2023

For further information please contact:
Paul Macaskill, Chief Internal Auditor (01546 604108)

Appendices:

1. **Argyll and Bute Council Internal Audit Service External Quality Assessment and action plan**

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EXTERNAL QUALITY ASSESSMENT 2

OF



ARGYLL & BUTE COUNCIL'S

INTERNAL AUDIT SERVICE

Report Recipients:

Martin Caldwell, Chair of the Audit and Scrutiny Committee
Pippa Milne, Chief Executive
Ann Blue, Head of Financial Services
Paul MacAskill, Chief Internal Auditor

EXECUTIVE SUMMARY

1. INTRODUCTION

- 1.1 The mandatory Public Sector Internal Audit Standards (PSIAS), initially published in April 2013 and updated in March 2017, apply to all internal audit service providers in the UK public sector. To supplement the PSIAS, and provide specific guidance surrounding its application within a local government setting, the Chartered Institute of Public Finance and Accountancy (CIPFA) compiled a Local Government Application Note, last updated in 2019.
- 1.2 The objectives of the PSIAS are:
- to define the nature of internal auditing within the UK public sector;
 - to set basic principles for carrying out internal audit;
 - to establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
 - to establish the basis for the evaluation of internal audit performance; and
 - to drive improvement planning.
- 1.3 The PSIAS require the Chief Audit Executive (the Chief Internal Auditor in Argyll & Bute Council) to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP must include both periodic internal self-assessments and five-yearly external assessments. The external assessments must be carried out by a qualified, independent assessor from outwith the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Mission of Internal Audit, Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.
- 1.4 To assist its members in meeting the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) established a collaborative system of formal peer reviews. This approach not only assists with ensuring that independent assessors, and their teams, have appropriate knowledge and experience of the local government internal audit environment but also removes the financial burden from councils associated with procuring these services externally. The independence of assessors was considered when allocating assessment teams to councils participating in the peer review process, ensuring that, amongst other governing principles, local authorities with perceived/known conflicts of interest could not review one another. At the outset, assessors were required to formally declare any interests so that these could be appropriately addressed during the allocation process. East Dunbartonshire Council was selected to carry out the external assessment of Argyll & Bute.
- 1.5 To support the peer review process, SLACIAG developed a comprehensive External Quality Assessment (EQA) framework, including an EQA Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note (EQA Checklist) and a key Stakeholder Questionnaire proforma. East Dunbartonshire Council's Internal Audit service has carried out the external assessment of Argyll & Bute Council's Internal Audit service utilising this framework.
- 1.6 This report provides a high level summary of requirements for each standard per the PSIAS and CIPFA Local Government Application Note and details findings, conclusions and recommendations from the external assessment. This assessment has involved discussions with key members of staff, including the Chief Audit Executive, review of the most recent self-assessment carried out utilising the EQA Checklist and consideration

EXECUTIVE SUMMARY

of other relevant supporting documentation/information (Evidence Pack) including working paper files and completed stakeholder questionnaires. A comprehensive list of supporting documentation/information and completed stakeholder questionnaires considered as part of the assessment can be found at appendices B and C respectively.

- 1.7 The Assessor would like to thank the Chief Internal Auditor (CIA) for the comprehensive audit pack that was provided, for the further information that was provided via interview and on request and for access to the Internal Audit Team members – this all enabled a smooth and efficient audit process. Thanks is also extended to all who gave up their time to complete the stakeholder questionnaires and to be interviewed – this enhanced the quality of the audit, allowing fuller picture of the Internal Audit Service to be obtained and thus a more accurate assessment.

2. OVERALL CONCLUSION

2.1 The overall conclusion of the external assessment is that Argyll and Bute Council's Internal Audit service **fully conforms** with the PSIAS. Two points for improvement have been noted with regards to Standard 2400 - Communicating Results and Standard 1100 - Independence and Objectivity. Both Standards have nonetheless been assessed as fully conforms due to the minor nature of the findings. A full summary of assessment, per assessment area, can be found at Appendix A. A summary of totals is as follows:

	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
TOTALS	14	0	0	0

2.2 The areas for improvement highlighted in the report are as follows:

- The annual governance statement for 2021/22 referred to the Contract Management Roads and Amenity Services audit conclusion of limited assurance. Whilst this was noted in a table in the annual audit report, it was not mentioned in the opinion or report wording. Instead, reference was made to 'Subject to matters listed in the annual governance statement' in the conclusion of the covering report. It may help the Audit and Scrutiny (A&S) Committee and provide clarity if such matters are specifically referred to in the Annual Audit Report.
- The register of interest which is used to identify potential conflicts of interest on internal audit work was noted during the review as having been last updated in February 2021. The risk is deemed to be low as during the review, Internal Audit staff demonstrated awareness of when they would flag any potential conflicts of interest to the Chief Internal Auditor. This action point has now been completed. Going forward, the CIA should ensure that the register of interest is updated at least annually in order to fully demonstrate compliance with PSIAS in this regard.

2.3 Full details of the assessment recommendations and management responses can be found in the Action Plan at Appendix D.

3. SECTION A – MISSION OF INTERNAL AUDIT AND CORE PRINCIPLES

The PSIAS state that the Mission of Internal Audit articulates what internal audit aspires to accomplish within an organisation, which is 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

Taken as a whole, the Core Principles for the Professional Practice of Internal Auditing, as set out in the PSIAS, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Core Principles should be present and operating effectively. Failure to achieve any of the Core Principles would imply that an internal audit activity was not as effective as it could be in achieving the Mission of Internal Audit.

- 3.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used, along with specific consideration surrounding the achievement of the Core Principles, to conclude that the Internal Audit service at Argyll & Bute Council **fully conforms** with accomplishing the Mission of Internal Audit as detailed above.

4. SECTION B – DEFINITION OF INTERNAL AUDITING

The PSIAS state that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- 4.1 Evidence obtained from assessing conformance with other standards in the PSIAS has been used to conclude that the Internal Audit service at Argyll & Bute Council **fully conforms** with the definition of Internal Auditing as detailed above. The main reason for this assessment has been the review of the activities, approach and status of the Internal Audit service throughout the independent review. Completed Stakeholder Questionnaires support this conclusion.
- 4.2 The Internal Audit service does not currently carry out consulting activity; however, the Internal Audit Charter makes provision for the possibility of the service carrying out such work and specifies the parameters for accepting consulting engagements.
- 4.3 The Internal Audit service has in place an Internal Audit Charter and the definition of Internal Auditing included in this document mirrors the PSIAS definition. Furthermore, the Internal Audit Plan takes into account the PSIAS requirements, ensuring that the plan of work aligns to PSIAS.

5. SECTION C – CODE OF ETHICS

The PSIAS state that the purpose of the Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out in the PSIAS. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

- 5.1 Evidence obtained from assessing conformance with other standards in the PSIAS have been used to conclude that Argyll & Bute Council's Internal Audit service **fully conforms** with the requirement to comply with the Code of Ethics. The following standards have been considered in particular:

The Attribute Standards -

- 1000 – Purpose Authority and Responsibility,

- 1100 – Independence and Objectivity, and
- 1200 – Proficiency and Due Professional Care.

The Professional Standards -

- 2000 – Managing the Internal Audit Activity and
- 2300 – Performing the Engagement.

5.2 Completed Stakeholder Questionnaires also support the conclusion. In addition, the Audit Charter was reviewed and confirmed as being in line with good practice, adhering to the guidance.

6. SECTION D – ATTRIBUTE STANDARDS

Attribute Standards apply to organisations and to individual internal auditors providing the internal audit service in a local authority.

6.1 1000 - Purpose, Authority, and Responsibility

The PSIAS state that the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. The internal audit charter must also:

- *define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;*
- *cover the arrangements for appropriate resourcing;*
- *define the role of internal audit in any fraud-related work; and*
- *describe safeguards to limit impairments of independence or objectivity if internal audit or the chief audit executive undertakes non-audit activities.*

6.1.1 Argyll & Bute Council’s Internal Audit Charter is periodically reviewed, with the most recent review taking place in March 2022. The requirements referred to above are adhered to in the Charter, and the Charter was approved by the A&S Committee on 15 March 2022.

6.1.2 Having considered the findings above, it has been concluded that the Internal Audit service at Argyll & Bute Council **fully conforms** with Standard 1000 on Purpose, Authority and Responsibility.

6.2 1100 - Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work. Various aspects of independence and objectivity are covered in this standard as well as 1200, including reporting functional lines of the CAE, the relationship between the CAE and the board and any impairment to individual internal auditor’s objectivity or independence. Reporting and management arrangements must be put in place that preserve the CAE’s independence and objectivity, in particular with regard to the principle that the CAE must be independent of the audited activities.

6.2.1 The CIA reports functionally to the A&S Committee and administratively to the Head of Financial Services, who attends the Council’s Strategic Management Team. The CIA has direct and unrestricted access to the Chief Executive and the Chair of the A&S Committee and this has been confirmed through the completed Stakeholder Questionnaires. These reporting and access arrangements are clearly defined in the

Internal Audit Charter as are safeguards to limit impairment of independence or objectivity.

- 6.2.2 In support of organisational independence, the CIA attends A&S Committee meetings to present all internal audit reports (including, for example, the Internal Audit Charter, Annual Report, Internal Audit Plan and reports from the planned audits) to Elected Members. The reports are submitted in the CIA's name.
- 6.2.3 The CIA has operational responsibility for the Counter Fraud Team and Risk Management and this is communicated to stakeholders via the Internal Audit Charter.
- 6.2.4 A minor point for improvement has been noted in that it has been observed that the register of interest, used to record potential conflicts of interest, appears to have been last updated in February 2021. Going forward, this should be updated on at least an annual basis. Nonetheless, from interviews with members of the Internal Audit Service, members of the team are aware of when they should flag potential conflicts with the CIA and so the risk is largely mitigated. **See Appendix – Action 1.**
- 6.2.5 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 1100 on Independence and Objectivity.

6.3 1200 - Proficiency and Due Professional Care

The CAE must be professionally qualified, suitably experienced and responsible, in accordance with the organisation's human resources processes, for recruiting appropriate staff. He or she is responsible for ensuring that up-to-date job descriptions exist, reflecting roles and responsibilities, and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

The CAE should periodically assess individual auditors' skills and competencies against those set out in the relevant job descriptions and person specifications. Any training or development needs identified should be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored. In addition, all internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This may be fulfilled through requirements set by professional bodies or through the organisation's own appraisal and development programme. Auditors should maintain a record of such professional training and development activities.

The internal audit activity should be appropriately resourced to meet its objectives. It should have appropriate numbers of staff in terms of grades, qualifications, personal attributes and experience or have access to appropriate resources in order to meet its objectives and to comply with these standards. The PSIAS states that the CAE must obtain competent advice and assistance if the activity is unable to perform all or part of an engagement.

- 6.3.1 The CIA is required to hold a relevant CCAB professional accountancy qualification and the CIA holds two such qualifications, Chartered Institute of Public Finance and Accountancy (CIPFA) and Chartered Institute of Internal Auditors (CIIA), and is suitably experienced. The CIA is a member of SLACIAG and regularly attends and contributes to meetings. Argyll & Bute Council's Internal Audit service is represented on the two SLACIAG Sub-groups: the Computer Audit Sub-Group (CASG) and the Scottish Local Authorities Investigators Group (SLAIG). The CIA has a background in both financial and IT audit in the public sector. Questionnaires received from stakeholders have confirmed the opinion that the CIA is suitably experienced with 29 years of experience in public sector audit.
- 6.3.2 For the roles across the Argyll & Bute Council's Internal Audit service, there are job and person specifications in place. There are a total of five members of staff in the Internal Audit service, including the CIA. The Internal Audit service delivers internal audit

services to the Council, HSCP and ALEO. The team is highly qualified with a training plan in place to address any skills gaps within the team and delivers a high quality service for the Council and which is evident by the questionnaires returned after the completion of each review.

- 6.3.3 The Internal Audit Team participate in a Performance Review and Development process.
- 6.3.4 The CIA and Audit Team have specific CPD requirements to adhere to. Each Auditor is a member of a professional body and is required to maintain a CPD file and in terms of CIPFA an annual declaration of compliance.
- 6.3.5 Argyll & Bute Council's Internal Audit service **fully conforms** with standard 1200 on Proficiency and Due Professional Care.

6.4 1300 - Quality Assurance and Improvement Programme

The PSIAS state that the Chief Audit Executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

The QAIP must include both periodic internal self-assessments and five-yearly external assessments, carried out by a qualified, independent assessor from outside the organisation, and enable evaluation of the internal audit activity's conformance with the PSIAS, including the Definition of Internal Auditing and Code of Ethics. In addition, the QAIP should also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The public sector requirement in the PSIAS states that results of the QAIP and progress against any improvement plans must be reported in the annual report.

- 6.4.1 Internal audit reports are reviewed by the CIA prior to issue and working papers are reviewed by the CIA.
- 6.4.2 Post audit surveys are sent to audit contacts after the completion of each audit to assess the performance and quality of reports. Internal audit have a positive performance target of 80% from these surveys and performance is monitored against this target.
- 6.4.3 Internal Audit monitor their development plan and the status of all development actions is reported to the A&S Committee as part of a standard agenda item.
- 6.4.4 An external assessment against Public Sector Internal Audit Standards was previously carried out by the Chief Internal Auditor for FTF Audit and reported to the A&S Committee in September 2018. The internal audit service was concluded as demonstrating overall compliance with PSIAS requirements, whilst four areas relating to risk were identified for improvement. An action plan was developed to address these areas and these improvement actions have been completed.
- 6.4.5 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 1300 on Quality Assurance and Improvement Programme.

7. SECTION E – PERFORMANCE STANDARDS

Performance Standards describe the nature of the internal audit services being provided and provide criteria against which the performance of an internal audit function can be measured.

7.1 2000 - Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation. The internal audit activity is effectively managed when

it achieves the purpose and responsibility included in the internal audit charter, it conforms with the PSIAS, its individual members conform with the Code of Ethics and the PSIAS and it considers trends and emerging issues that could impact the organisation. The internal audit activity adds value to the organisation and its stakeholders when it considers strategies, objectives and risks; strives to offer ways to enhance governance, risk management, and control processes; and objectively provides relevant assurance.

- 7.1.1 An annual Internal Audit Plan is compiled by the CIA outlining the planned programme of work to be undertaken. The CIA attends SMT meetings on a fortnightly basis which ensures he is well sighted on the Council's strategies, objectives and risks and of any issues that occur which may change the risk profile of the Council and, subsequently, areas for audit focus. In addition, the CIA reviews Business Plans, Local Outcome Agreement and Corporate and Operational Risk Registers.
- 7.1.2 The A&S Committee agrees and endorses the Internal Audit Plan.
- 7.1.3 The Internal audit service reports on performance to the Committee on a quarterly basis including full copies of audit reports issued, progress implementing audit recommendations, performance against agreed performance indicators and a summary of all internal audit activity in the previous quarter.
- 7.1.4 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 2000 on Managing the Internal Audit Activity.

7.2 2100 - Nature of Work

The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

More specifically, the internal audit activity must assess and make appropriate recommendations to improve the organisation's governance processes, evaluate the effectiveness and contribute to the improvement of risk management processes and assist the organisation in maintaining effective controls by evaluating their efficiency and effectiveness and promoting continuous improvement.

- 7.2.1 Audit work regularly focuses on areas of governance such as robustness of policies and procedures, performance reporting (which focuses on the achievement of strategic objectives), budget monitoring (financial information), and compliance with relevant legislation.
- 7.2.2 An audit assessing compliance with the Council's risk management arrangements is performed every three years.
- 7.2.3 Controls are assessed through the internal audit plan and through considerations on individual assignments.
- 7.2.4 Fraud risks are considered and Internal audit carry out a programme of continuous monitoring which provides audit coverage across the main financial transactional processes on an annual basis. This helps to ensure there are good controls in relation to processing transactions which, in turn, reduces the risk of fraud.
- 7.2.5 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 2100 on Nature of Work.

7.3 2200 - Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.

The CIPFA Local Government Application note states that for each engagement, a brief should be prepared, discussed and agreed with relevant managers. The brief should establish the objectives, scope and timing for the assignment and its resource and reporting requirements. Audit work should be undertaken using a risk-based audit approach.

- 7.3.1 Terms of Reference planning documents are in place which include objectives, scope, timing, resources allocated and consideration of the organisation's strategies, objectives and risks relevant to the engagement. The final Terms of Reference document is agreed with the relevant Head of Service.
- 7.3.4 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 2200 on Engagement Planning.

7.4 2300 - Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

At each stage of the audit, auditors should consider what specific work needs to be conducted and evidence needs to be gathered to achieve the engagement objectives and support an independent and objective audit opinion. Systems should be in place to ensure that auditors obtain and record, within the working papers, sufficient evidence to support their conclusions, professional judgements and recommendations. Working papers should always be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the audit to ascertain what work was performed, re-perform it if necessary and support the conclusions reached. The CAE should also specify how long all audit documentation should be retained, whether held on paper or electronically. All audit work should be subject to an appropriate internal quality review process.

Internal auditors must be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest when performing their individual audits. They must also have sufficient knowledge to identify indicators that fraud or corruption may have been committed.

- 7.4.1 The Internal Audit Manual sets out the procedure in relation to undertaking a planned audit, including preparing working papers and setting up working paper files.
- 7.4.2 Electronic engagement records are kept in a restricted folder and on Sharepoint. ICT are responsible for the security controls, and the CIA is responsible for specifying who should have access to this.
- 7.4.3 Work Programmes have been standardised. These detail the test of control, the work performed, results, conclusion, issues raised and risk.
- 7.4.4 A standard template is also utilised for the CIA performing a review of the file – an audit review schedule, where any questions the CIA may have are noted for the auditor to answer. This helps to ensure consistency and quality of both the audit files and of the final report.
- 7.4.5 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 2300 on Performing the Engagement.

7.5 2400 - Communicating Results

The basic aims of every internal audit report should be to:

- *give an opinion on the risk and controls of the area under review, building up to the annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;*
- *prompt management to implement the agreed actions for change leading to improvement in the control environment and performance; and*
- *provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management, together with appropriate timescales.*

Each report should include the scope and purpose of the audit to help the reader to understand the extent, or limitations, of the assurance(s) provided by the report. During the course of the audit, key issues should be brought to the attention of the relevant manager to enable them to take corrective action and to avoid surprises at the closure stage. Before issuing the final report, the internal auditor should normally discuss the contents with the appropriate levels of management to confirm the factual accuracy, to seek comments and to confirm the agreed management actions. A draft report is useful for this purpose. Recommendations should be prioritised according to risk. The recommendations and the resultant management action plans should be agreed prior to the issue of the final report. Any areas of disagreement between the internal auditor and management that cannot be resolved by discussion should be recorded in the action plan and the residual risk highlighted. Those weaknesses giving rise to significant risks that are not agreed should be brought to the attention of a more senior level of management and the board.

As set out in the PSIAS, the CAE must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. This must include the annual internal audit opinion concluding on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and a statement of conformance with the PSIAS and the results of the internal audit QAIP.

- 7.5.1 Each report issued by Internal Audit outlines the auditors' conclusions and significant issues identified. Reviews which identify significant or serious control weaknesses form part of the annual reporting and formal opinion reached in terms of the control environment.
- 7.5.2 As part of the standard audit approach, the team member carrying out the audit will have a feedback meeting with the key audit contact to discuss the arising issues. There will also be iterative communication with the key contact to clear the audit report. These communications are primarily made by e-mail due to the geographic spread of the Council.
- 7.5.3 With regards to handling disagreements, it is rare that a manager would not implement a recommendation. Internal Audit always aim to find common ground in relation to recommendations and implementation. In instances of unresolvable disagreement, the report would highlight that agreement could not be reached and the potential risk to the organisation. This would be reported to the A&S Committee.
- 7.5.4 The annual governance statement referred to the Contract Management Roads and Amenity Services having been given limited assurance. Whilst this was noted in a table in the annual audit report, it was not mentioned in the opinion wording. Instead, reference was made in the covering paper conclusion to 'Subject to matters listed in the annual governance statement'. It may help the A&S Committee and provide clarity if

such matters are specifically referred to in the Annual Audit Report and Opinion. **See Appendix – Action 2.**

- 7.5.5 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 2400 on Communicating Results.

7.6 2500 - Monitoring Progress

The PSIAS place responsibility for monitoring progress with the CAE to ensure that management actions have been effectively implemented or, if not, that senior management have accepted the risk of not taking action. The CAE must, therefore, implement a follow-up process for ensuring the effective implementation of audit results or ensuring senior management are aware of the consequences of not implementing an action point and are prepared to accept the risk of such consequences occurring. The results of this process should be communicated to the board. The CAE should develop escalation procedures for cases where agreed actions have not been effectively implemented by the date agreed. These procedures should ensure that the risks of not taking action have been understood and accepted at a sufficiently senior management level. The effective involvement of the board in the follow-up process is critical to ensuring that it works. The CAE should consider revising the internal audit opinion in light of findings from the follow-up process. The findings of follow-up reviews should inform the planning of future audit work.

- 7.6.1 There is a comprehensive follow up programme in place whereby actions are followed up on a quarterly basis with the agreed responsible person in order to gauge and monitor progress with the agreed actions.
- 7.6.2 Progress with actions is reported to the Strategic Management Team and the A&S Committee on a quarterly basis. Follow-up results are also taken into account and referred to in the annual report.
- 7.6.3 Argyll & Bute Council's Internal Audit service **fully conforms** with Standard 2500 on Monitoring Progress.

















7.7 2600 - Communicating the Acceptance of Risks



When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, they must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, they must communicate the matter to the board. It is not the responsibility of the chief audit executive to resolve the risk.

- 7.7.1 The CIA has unrestricted access to the Chief Executive and Chair of the A&S Committee and can provide assurance that, should it be required, he can escalate issues directly to them. The CIA also attends SMT meetings giving him access to the SMT should he have any concerns that need to be raised.
- 7.7.2 All audit reports are taken to the A&S Committee and are presented to the SMT.
- 7.7.3 The CIA contributes to the annual governance statement and the annual audit opinion is reported to the A&S Committee.
- 7.7.4 Argyll & Bute Council's Internal Audit service **fully conforms** to the Standard on Communicating the Acceptance of Risk.

Gillian McConnachie CA
Audit & Risk Manager and Chief Internal Auditor
East Dunbartonshire Council
January 2023

APPENDIX A – SUMMARY OF ASSESSMENT

REF	PAGE No.	ASSESSMENT AREA	Fully Conforms 	Generally Conforms 	Partially Conforms 	Does Not Conform 
Section A	5	Mission of Internal Audit and Core Principles				
Section B	5	Definition of Internal Auditing				
Section C	5	Code of Ethics				
Section D	6	ATTRIBUTE STANDARDS				
1000	6	Purpose, Authority and Responsibility				
1100	6	Independence and Objectivity				
1200	7	Proficiency and Due Professional Care				
1300	8	Quality Assurance and Improvement Programme				
Section E	8	PERFORMANCE STANDARDS				
2000	8	Managing the internal Audit Activity				
2100	9	Nature of Work				
2200	10	Engagement Planning				
2300	10	Performing the Engagement				
2400	11	Communicating Results				

2500	12	Monitoring Progress				
2600	12	Communicating the Acceptance of Risks				
TOTALS			14	0	0	0

APPENDIX B – EVIDENCE PACK

The following represent the main sources of evidence that were considered in the course of the review:

- Minutes and papers from A&S Committee
- Audit Manual
- Stakeholder Questionnaires
- Interviews with the CIA, members of the audit team and an Executive Director
- Job Descriptions
- Code of Conduct
- Performance and Career Conversation Template
- Evidence of qualification
- Organisational chart
- Audit Survey Template
- CPD records
- Audit Survey Monitoring and Actions
- Prior EQA report
- Audit Plan Consultation
- HSCP Audit Plan Consultation
- Assurance Mapping
- Audit Universe
- Audit Plan
- Anti-Fraud Strategy
- LiveArgyll Service Level Agreement
- A sample of audit files

APPENDIX C – STAKEHOLDER QUESTIONNAIRES

Stakeholder questionnaires were completed by the following key members of staff and Elected Members:

- Martin Caldwell, Chair of the A&S Committee
- Pippa Milne, Chief Executive
- Kirsty Flanagan, Executive Director
- Douglas Hendry, Executive Director

APPENDIX D – ACTION PLAN

No.	Para	Recommendation	Management Response	Responsible Officer / Agreed Completion Date
1	6.2.4	The register of interest which is used to identify potential conflicts of interest on internal audit work appears to have been last updated in Feb 2021. The risk is deemed to be low as staff demonstrate awareness of when they would flag any potential conflicts of interest to the Chief Internal Auditor. Nonetheless the register should be updated as soon as practical and annually thereafter in order to fully demonstrate compliance with PSIAS in this regard.	Whilst there was a register of interest in place for staff, this should have been reviewed annually as outlined in the recommendation. This has since been fully reviewed and updated and an updated copy has been provided to the Assessor as evidence of completion.	Completed 21st December 2022.
2	7.5.4	The annual governance statement for 2021/22 referred to the Contract Management Roads and Amenity Services audit conclusion of limited assurance. Whilst this was noted in a table in the annual audit report, it was not mentioned in the opinion or report wording. Instead, reference was made to ‘Subject to matters listed in the annual governance statement’ in the conclusion of the covering report. It may help the Audit and Scrutiny Committee and provide clarity if such matters are specifically referred to in the Annual Audit Report.	This will be addressed as part of the review of the Annual Governance Statement and also the production of the Internal Audit Annual Report for 2022/23.	August 2023

	Critical
	Significant
	Routine

ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****16 MARCH 2023**

2023/24 INTERNAL AUDIT PLAN

1. INTRODUCTION

1.1 This report introduces the 2023/24 Internal Audit Annual Audit Plan.

2. RECOMMENDATIONS

2.1 To agree and endorse the Internal Audit Annual Plan 2023/24 (Appendix 1).

3. DETAIL

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 (CIA) 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 at Appendix 1. The creation of the plan gave consideration to a number of factors including:

- the audit universe risk assessment which is based upon a matrix taking account of scores for each potential audit area in respect of materiality, sensitivity, time elapsed since it was last subject to audit and the overall audit assessment when it was last reviewed.
- the Council's strategic risk register and operational risk registers
- input from Executive Directors, the Health and Social Care Partnership (HSCP) Chief Officer, Heads of Service and Audit and Scrutiny Committee members.
- a consideration of the need to provide audit coverage across all Heads of Service, the HSCP and LiveArgyll
- significant changes within the Council (i.e. new systems, new policies)
- wider issues in the public sector environment
- an internal audit team meeting to discuss possible areas of focus based on cumulative audit knowledge.

3.3 The Audit plan is broken down into 3 main areas which are:

- Service department reviews
- Continuous monitoring programme
- Other Activity

3.4 Service department reviews include auditable units within the audit universe which are specific to an individual department. Our continuous monitoring programme includes a number of auditable units which were historically subject to individual annual audits. These areas are now tested on a regular recurring basis with control weaknesses reported by exception. Internal Audit also undertake other activities during the year including verification work and following up on previous internal audit recommendations for improvement.

- 3.5 An indicative outline scope is given for each of the audit reviews. Full terms of reference will be discussed and agreed with the relevant Head of Service as part of the planning process for each audit.
- 3.6 The plan is based on an estimated available 668 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.
- 3.7 Feedback on the draft plan has been obtained from the Heads of Service, the Chief Officer of the HSCP and the Live Argyll General Manager. This has been incorporated into the plan included as appendix 1 to this paper

4. CONCLUSION

- 4.1 The annual audit plan is risk based and is aligned to the Council's long term outcomes, corporate objectives and strategic risk register. The plan also incorporates continuous monitoring and verification activity.

5. IMPLICATIONS

- 5.1 Policy - None
- 5.2 Financial - None
- 5.3 Legal - None
- 5.4 HR - None
- 5.5 Fairer Scotland Duty - None
 - 5.5.1 Equalities – None
 - 5.5.2 Socio-Economic Duty – None
 - 5.5.3 Islands Duty – None
- 5.6 Climate Change - None
- 5.7 Risk – Delivery of an effective internal audit function and plan should help reduce the Council's risk exposure
- 5.8 Customer Service – None

**Paul Macaskill,
Chief Internal Auditor
16 March 2023**

For further information contact:

Paul Macaskill, Chief Internal Auditor (01436 604108)

APPENDICES

Appendix 1 – 2023/24 Internal Audit Plan

ARGYLL AND BUTE COUNCIL

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INTERNAL AUDIT PLAN 2023-24



Contents

Purpose of Internal Audit.....	1
Public Sector Internal Audit Standards (PSIAS) Requirements.....	1
Risk Assessment.....	2
Strategic Risks.....	4
Resourcing the Plan	4
Confirmation of Independence.....	5
2023/24 Internal Audit Plan	5
Monitoring the Plan.....	5
Quality Assurance and Improvement Programme	6
Conclusions.....	6
Appendix 1 – 2023/24 Internal Audit Plan.....	7
Appendix 2 – 2023/24 Internal Audit Plan by Council Directorate / Head of Service	10
Appendix 3 – Strategic Risk Register (Abridged).....	11

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Definition of Internal Audit

1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Source: Section 4: Definition of Internal Auditing: Public Sector Internal Audit Standards

Purpose of Internal Audit

2. The main objective of internal audit is to provide a high quality, independent audit service to Argyll and Bute Council (the Council) which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to this primary assurance role, internal audit will also:
 - support the S95 Officer and the Audit & Scrutiny Committee (the Committee) in the discharge of their duties
 - support the Council's Monitoring Officer
 - support the Council's anti-fraud and corruption arrangements
 - provide guidance on control implications for new or changed systems where appropriate
 - support the Council and the Strategic Management Team during key transformational/ change projects.

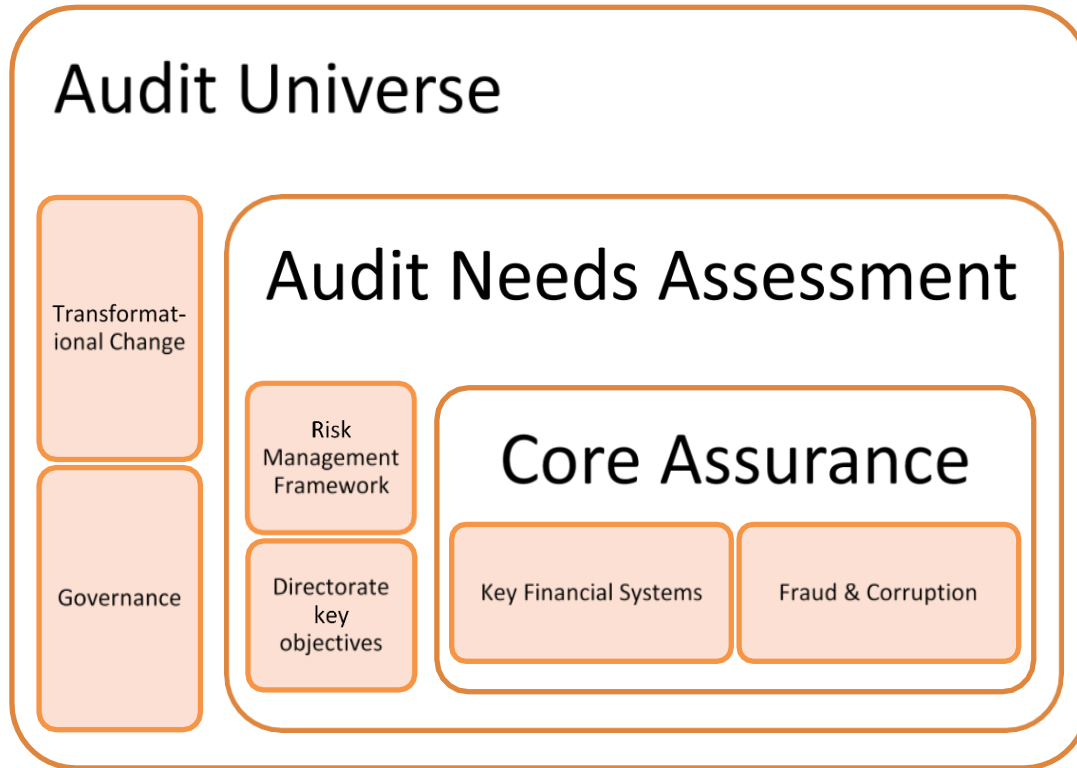
Public Sector Internal Audit Standards (PSIAS) Requirements

3. PSIAS sets out the requirement for the:
 - Chief Internal Auditor (CIA) to prepare a risk-based audit plan which takes into account the Council's strategic objectives, associated risks and the views of senior management and the Committee
 - CIA to review and adjust the plan as necessary in response to changes in the Council's business, risks, operations and priorities
 - audit plan to incorporate or be linked to a strategic or high-level statement of how internal audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

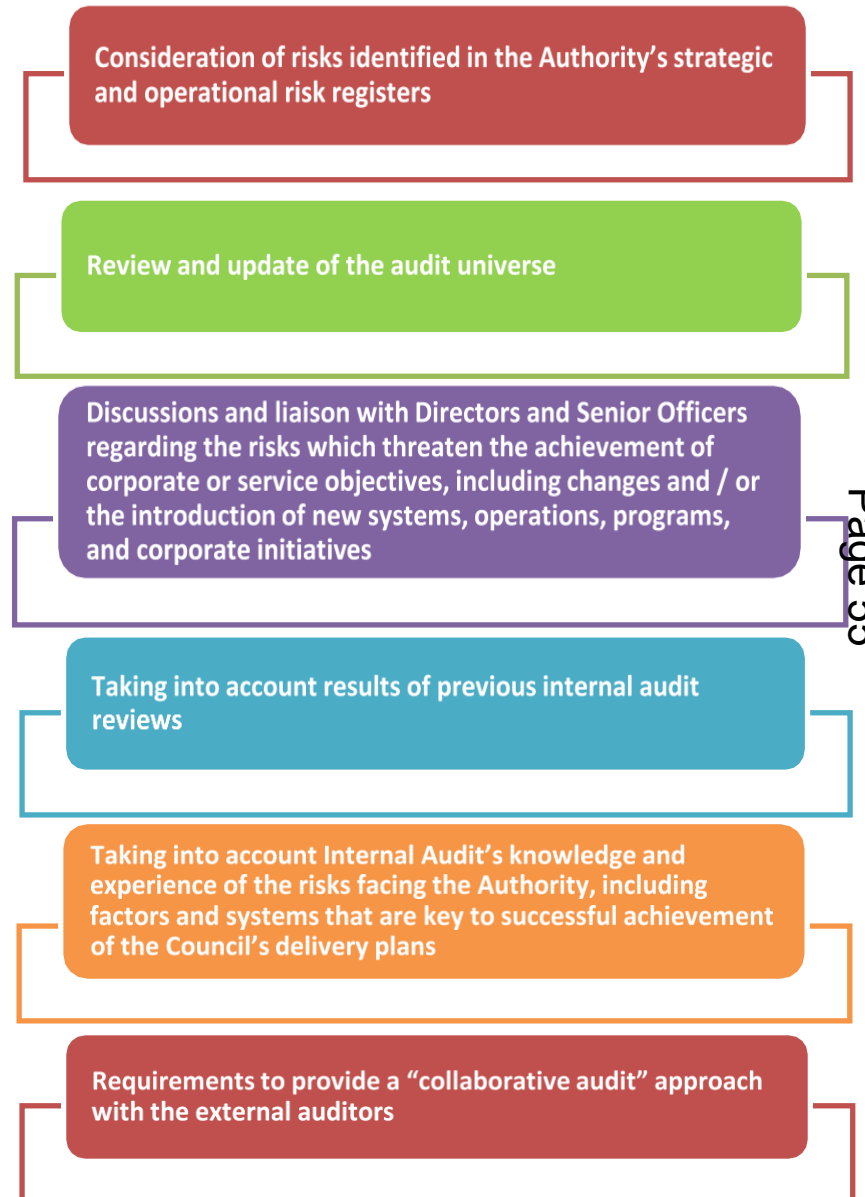
Risk Assessment

4. Internal audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review contained within an audit universe which is subject to formal review, at least annually. This provides a layered approach to obtaining a sufficient profile of the organisation covering Core Assurance, Audit Needs Assessment and Audit Universe. The audit universe includes all significant activities and systems that contribute to the achievement of the Council's priorities and objectives. This is displayed in the diagrams on page 5 of this report.
5. The audit universe is risk assessed each year to help determine the annual audit plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Note however that that the audit universe, whilst a key factor, is not the only consideration when determining the audit plan. Senior management have been consulted on priority areas for review, and cognisance is taken of the plans of external audit and other statutory agencies, in order to avoid duplication, and increase potential for cross reliance.
6. The audit universe risk assessment is based upon a matrix taking account of scores for each potential audit area in respect of:
 - materiality (based on expenditure)
 - sensitivity (Control Environment, Management Concerns, Political Sensitivity, Regulatory Compliance, System Complexity and Extent of Changes – these help to provide a wide understanding of the risks and implications to the organisation in all of its functions)
 - time elapsed since it was last subject to review
 - overall audit assessment when it was last subject to review.
7. We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the "Audit Universe" using a number of factors/ criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention. Furthermore, our reliance and successful operation is founded upon the need for strong Information Technology arrangements which support key systems across the Council, therefore, it is appropriate that an annual review is scheduled in this area based on risk and discussions with management.

8. The matrix gives an overall “score” for each area that is used to prioritise audit reviews.



The audit plan for the year has been created by:

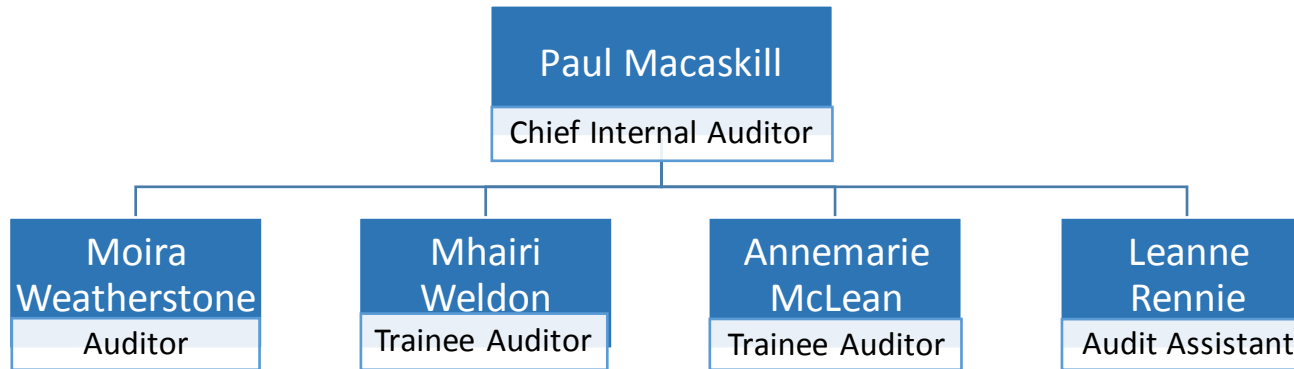


Strategic Risks

9. The Strategic Risk Register records the Council's own assessment of the most potentially damaging risks and their likelihood of occurrence. This document is used to inform the annual audit plan with identified reviews cross referenced to the strategic risk register. An abridged version of the strategic risk register is included in appendix 3 for reference. In addition, Operational Risk Registers are reviewed to identify high risk areas and which we take cognisance of in assessing and scoring the Audit Universe in terms of wider corporate risk which helps to provide a more comprehensive overview of the organisation.

Resourcing the Plan

10. Internal audit has a core establishment of five members of staff, due to a retirement of one member of staff we are currently operating with four full time equivalent officers and one contracted member of staff, two of which professionally qualified members of staff. Available audit days have been calculated as 768 days (including management and administration time), following the deduction of annual leave, training, a small provision for sickness, 50 days to deliver scrutiny work and 50 days to deliver the HSCP internal audit function. This 768 days total includes the CIA's input to audit reviews and the running of the internal audit team and a contingency in the event of unplanned work.
11. Given the range and complexity of areas to be reviewed it is important that suitably qualified, experienced and trained individuals are appointed to internal audit positions. The CIA, in compliance with PSIAS hold appropriate professional qualifications (CIPFA and Institute of Internal Audit). Also within the internal audit section we have one contracted CIPFA qualified team member, one AAT and CIA qualified member and one training for CIPFA.
12. Internal audit officers identify training needs as part of their annual appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development.
13. Through an assessment of the mix of knowledge, skills and experience of the audit team, it is considered that the available resources are the minimum to achieve the work outlined in the plan.



Confirmation of Independence

14. PSIAS requires internal audit to communicate, on a timely basis, all facts and matters that may have a bearing on our independence. We can confirm that the staff members identified to complete the reviews in the 2023/24 annual audit plan are independent and objectivity is not compromised.

2023/24 Internal Audit Plan

15. Appendix 1 presents the internal audit plan for 2023/24. As our internal audit approach is informed by risks, where appropriate, the plan is cross-referenced to the strategic risk register contained at appendix 3. Appendix 3 also demonstrates the strategic risks that were subject to audit focus in 2022/23 and those we are projecting to cover in the periods 2023/24 and 2024/25. This provides assurance to the Committee that key strategic risks are subject to audit coverage over a three year cycle. Note that the projected timescales in appendix 3 are provisional as these may change to reflect changes in the Council's risk environment.
16. Appendix 2 presents the 2023/24 internal audit plan in a different format to provide assurance to the Committee that it provides appropriate coverage across all the Council's directorates and head of service's areas of service delivery.

Monitoring the Plan

17. Internal audit reports on performance to the Committee on a quarterly basis including full copies of audit reports issued, progress implementing audit recommendations, performance against agreed performance indicators and a summary of all internal audit activity in the previous quarter.

Quality Assurance and Improvement Programme

18. The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme (QAIP) based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
19. The Scottish Local Government Chief Internal Auditors' Group (SLACIAG) has developed a framework for external assessments to be undertaken by member authorities of SLACIAG on a broadly reciprocal arrangement utilising a peer review option. The Council's internal audit team has participated in this framework and an external validation of its own self-assessment took place during 2017/18 which concluded that we demonstrated overall compliance with PSIAS with many areas of strong practice. The next scheduled external assessment is currently in progress with findings reported in 2023.
20. In 2022/23 internal audit carried out an internal self-assessment against PSIAS and prepared a submission for external evaluation, the result of this evaluation will be reported on when the results have been communicated to the Council. It confirmed the service fully conformed to PSIAS all 14 assessment areas. The area previously self-assessed as 'Generally Conforming' with improvements built into the service's QAIP has been completed with the appointment of an Interim Chief Internal Auditor.
21. The internal audit team review their QAIP on a quarterly basis and report it to the Committee as part of the standard agenda item 'Internal Audit Summary of Activities.' The programme details all improvement activity being progressed by the team.

Conclusions

22. The pressures, demands and expectations on Local Authorities in Scotland have increased year on year on the backdrop of challenging financial settlements in which to deliver key services to those across Scotland including Argyll and Bute. This Internal Audit Plan seeks to assist the Council's Executive Leadership Team (ELT) and senior managers, together with those charged with governance, specifically, the Council's Audit and Scrutiny Committee that assurance in our systems, approach and outcomes meet the needs of the communities we serve whilst achieving 'Best Value' in the use of our finite resources.
23. The resourcing of this plan is based on the existing staff levels and contractual input in order that a balance of qualified and experienced staff can be allocated to audit work which matches their skills base and experience. In addition, such resourcing is considered as the minimum essential in which to deliver this plan across the Council during 2023/24. We would also like to express our gratitude to the Council's senior managers who have assisted us in the production of this plan.

Appendix 1 – 2023/24 Internal Audit Plan

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Cross Cutting	Continuous Monitoring Programme	Budgeting	15	Cyclical review of key controls over an 18 month programme of audit testing.	
		Council Tax and NDR	20		
		Creditors	20		
		Debtors	15		
		General Ledger	15		
		Payroll	25		
		Treasury management	15		
		VAT	15		
		Follow-up	45	Compliance	
Pippa Milne	Financial Services	Financial Ledger	25	Post implementation review to determine how the system is operating paying particular attention to feeder systems, reporting functionality, procedures and training.	
	Financial Services	Risk Management	15	Assess the adequacy of, and compliance with, the Council's risk management arrangements.	
Douglas Hendry	Education – Wendy Brownlie	Pupil Registration	15	Review the arrangements for the new online registration system for pupils going to school.	
	Education – Wendy Brownlie	Engagement & Consultation	20	Review the process of engagement and consultation that led to the establishment of 'Stretch Aims' as required by Scottish Government to close the poverty related attainment gap.	SRR09
	Legal and Regulatory Support	Freedom of Information (FOI)	20	Review of the process and procedure for the collection and response to FOI requests and assess the response times across the Council.	
	Commercial Services	Compliance Review	15	Review and assess the arrangements for the provision of period products throughout relevant Council establishments.	
	Commercial Services	Building Cleaning	20	Review and assess the arrangements for cleaning across the Council establishments.	
Kirsty Flanagan	Roads and Infrastructure Services - Jim Smith	Fleet Management	20	Review the arrangements for the authorisation and use of hire vehicles, establishing whether 'best value' is achieved.	

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
	Roads and Infrastructure Services	Pupil and Public Transport	25	Review the methodology for ASN transport spend; looking at scope for the potential of merging normal bus services with school/ASN transport; and the distance from home to school transport.	
	Roads and Infrastructure Services	Piers and Harbours	20	Review of charging and income arising from piers and harbour dues.	
	Development and Economic Growth	Oban Airport	15	Annual review to provide assurance re compliance with operational manual and assess compliance with the aerodrome operating manual.	
	Development and Economic Growth	Planning	25	Review the systems and process in place in respect of Planning focusing on efficiency of processes and improvements in communication with customers.	SRR01
	Customer Support Services	Human Resources	30	Review the use of casual staff and extensions of these arrangements and determine whether there are any contractual implications and that the correct contractual status is reflected on the Payroll system.	SRR06
	Customer Support Services	Cloud Based Computer Services	20	Review systems in process in place to support security and data integrity of Cloud Based services.	SRR11
Fiona Davies	H&SCP Registration and Training	SSSC Registration	25	Assess the arrangements for evidencing SSSC registration, monitoring and renewals within the Council.	
	H&SCP Client Funds	Client Funds	25	Assess the introduction and implementation of client fund accounts held on behalf of clients who lack capacity.	SRR07
	H&SCP - Learning and Physical Disabilities	Learning and Physical Disability Care Packages	30	Review of the management and governance of physical and learning disabilities and mental health high cost packages.	SRR07
Kevin Anderson	LiveArgyll	Establishment visits	35	Cyclical audit approach to assess LiveArgyll establishment's compliance with physical controls and compliance with SOP's.	
Verification Activity	LGBF	Accuracy	10	Accuracy of submission.	
	SPT Annual Claim	Accuracy	2	Accuracy of submission.	

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
	Education Maintenance Allowance	Accuracy	5	Accuracy of submission.	
	Stores	Stock count	5	Assess stock count procedures.	

Summary of Days

Directorate Contact	Number of Days 2023/2024
Cross Cutting – Continuous Monitoring	185
Pippa Milne	40
Douglas Hendry	90
Kirsty Flanagan	155
Fiona Davies	80
LiveArgyll	35
Verification Activity	22
Contingency	61
Total	668

Appendix 2 – 2023/24 Internal Audit Plan by Council Directorate / Head of Service

Pippa Milne	Douglas Hendry			Kirsty Flanagan			Fiona Davies
Financial Services	Education	Legal & Regulatory Support	Commercial Services	Customer Support	Roads & Infrastructure	Development & Economic Growth	Health & Social Care Partnership
Financial Ledger	Pupil Registration	Freedom of Information (FOI)	Compliance Review	Human Resources	Piers and Harbours Income	Planning	SSSC Registration
Risk Management	Engagement and Consultation Education Maintenance Allowance		Building Cleaning	Cloud Based Computing	Pupil and Public Transport Fleet Management Use of Hire Vehicles	Oban Airport	Learning and Physical Disability Care Packages Client Funds
Continuous Monitoring Programme Budgeting, General Ledger, Creditors, Debtors, Payroll, Treasury Management, Council Tax & Non-Domestic Rates, VAT							
Live Argyll Establishment visits 2023-24				Other Activity NFI – Counter Fraud Team Follow Up Local Government Benchmarking Framework			

Appendix 3 – Strategic Risk Register (Abridged)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
1	<p>Population and Economic Decline</p> <p>Failure to identify relevant factors contributing to the decline and failure to develop strategies and actions targeting these factors.</p>	20	<ol style="list-style-type: none"> 1. Local outcome improvement plan targets population and economic recovery 2. Maximise external funding opportunities 3. Economic Strategy 4. Strategic infrastructure plan 5. Area economic development action plans 6. Promote and Market Argyll and Bute 7. Maximise social-eco benefits via effective partnership working 8. Single Investment Plan 9. Refugee sponsorships are fully supported 10. Temp accommodation is in place for all refugees 	16	Treat	<ol style="list-style-type: none"> 1. Lobbying activity in pursuit of regional immigration policies and related strategies 2. Rural Growth Deal Outline Business Cases and Final Business Cases to be developed in 2022/23 and Deal to be signed late 2022 or early 2023. 3. Preparation of bid to Levelling Up Fund – preparing for April 2022 in time for submission date which is still to be confirmed. 4. Settlement Officer post agreed to be funded 50:50 from HIE/Council focusing on barriers to people living in communities, housing and others. 5. Preparation of a pipeline of projects across Argyll and Bute in order to be able to react to any other bid funding as and when it is announced. 6. UK Shared Prosperity Fund Investment Plan for next 3 years prepared and submitted to Policy and Resources Committee on 11th August 2022 - next iteration will provide further update. 	<p>2019/20 (Scrutiny)</p> <p>2023/24</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
						7. Multi-agency approach to refugee settlement underway linking with national processes and agendas.	

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
2	<p>Condition and suitability of Infrastructure & Asset Base</p> <p>Infrastructure and asset base does not meet current and future requirements and is not being used or managed efficiently and effectively.</p>	16	<ol style="list-style-type: none"> 1. Asset management board 2. Robust capital planning and monitoring 3. Asset management work plan 4. Business case modelling including sustainability, development and strategic change 5. Intelligence and best practice sharing via Heads of Property Group. 6. Community Empowerment and Community Asset Transfer – Arrangements in place to evaluate and determine requests. 7. Roads Asset Management Plan 8. Status and Options Report 9. R&A Services control hub and joint operations team 10. One Council Property Approach 	12	Treat	<ol style="list-style-type: none"> 1. Development of capital strategy in 2022. 2. 'Modern Workspace Programme will review, engage and rationalise property portfolio for future needs of the Council. Changes will take place on phased and town by town basis. Programme will be running for 3 years - April 2024 	<p>2020/21</p> <p>2021/22</p> <p>2022/23</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
3	<p>Financial Sustainability</p> <p>Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes</p>	16	<ol style="list-style-type: none"> 1. Longer term financial planning and financial strategy 2. Income generation activity 3. Robust budget preparation and budget monitoring protocols 4. Maintaining adequate contingency with reserves. 5. Digital transformation 6. Effective workforce planning model 7. Business Outcomes 8. Financial Services resilience building project including knowledge sharing and development of guidance notes 	12	Treat	<ol style="list-style-type: none"> 1. Discussions are continuing in respect of a change programme that will include ensuring that the Council can operate within its budget (2022 for year 2023/24). 2. Rural Growth Deal Outline Business Cases and Final Business Cases to be developed in 2022/23 and Deal to be signed late 2022 or early 2023. 3. Implementation of new general ledger system with enhanced budget planning and forecasting capabilities (July 2022) 4. Investment in professional training through Grow Our Own Activity. 5. Officers considering implications of service concessions guidance and capital accounting review Terms of Reference and how that impacts future financial sustainability. 	<p>2019/20 (Scrutiny)</p> <p>2020/21</p> <p>2022/23</p> <p>2023/24</p> <p>Ongoing via Continuous Monitoring</p>
4	<p>Governance and Leadership</p> <p>Governance and leadership arrangements are</p>	16	<ol style="list-style-type: none"> 1. Administration in place with working majority 2. Members Seminar programmes 3. Mentoring and Coaching Support for policy leads and Senior Management 4. Priorities agreed by Council 	8	Treat	<ol style="list-style-type: none"> 1. Monitor delivery of BV action plan (ongoing date) 	2020/21 (Scrutiny)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
	not conducive to effective working and lead to a lack of strategic direction.		5. Corporate Plan sets out objectives 6. Performance Improvement Framework and Service Planning. 7. Leadership development programme. 8. Council constitution regularly reviewed and updated. 9. Established partnership governance arrangements 10. Scrutiny arrangements in respect of Police, Fire and Health. 11. Governance arrangements for scrutiny established				
5	Engagement and Understanding the needs of the Community The Council fails to understand service user needs and emerging demographic trends and does not align service delivery to meet these	12	1. Community Planning partnership 2. Community Engagement Strategy 3. Customer Service Board 4. Operation and development of panels and forums. Young people's plan, citizens panel 5. Budget Consultation 6. Comprehensive Complaints Protocols 7. Demographic and end user analysis	9	Treat	1. Deliver agreed actions in BV3 action plan relating to Work with Communities and Community Groups to improve engagement - September 2022	2022/23

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
6	<p>Service Delivery</p> <p>Insufficient resources to ensure effective service delivery</p>	9	<ol style="list-style-type: none"> 1. Performance Improvement Framework 2. Service Improvement plans 3. Argyll and Bute Manager programme 4. Customer needs analysis Protocols 5. Demographic and end user analysis 6. Workforce Planning 7. Internal and External Scrutiny Arrangements 8. Complaints process 	6	Treat	<ol style="list-style-type: none"> 1. Monitor progress of performance mgt project and implement recommendations (Ongoing from Oct 2020 to Sept 2022) 2. Budget approach being developed to look at longer term rather than 1 year focus - will be discussed at first Budget Working Group meeting in September. The approach looks at duties/powers and discretionary services. 	<p>2021/22</p> <p>2023/24</p>
7	<p>Health and Social Care Partnership</p> <p>Failure to deliver strategic objectives and integrate Health and Social Care services in an efficient and effective manner exposes the Council, as a key partner, to unacceptable financial and reputational risk.</p>	20	<ol style="list-style-type: none"> 1. HSCP integration scheme approved by Scottish government 2. Strategic Plan in place 3. Performance and Financial reporting arrangements in place 4. Independent audit arrangements in place. 5. Integrated Joint board with elected member representation including Council Leader 6. Chief Officer member of ABC Senior Management Team with co-location of officers 7. Tripartite leadership agreement 8. Monitoring of HSCP financial position. 9. Medium term Financial Plan in place. 10. Establishment of Strategic and Tactical Groups with links to HSCP, NHS and national/regional resilience groups 	12	Treat	<ol style="list-style-type: none"> 1. Develop options to deliver sustainability of future years budgets (ongoing) 2. Completion of Strategic Plan which was delayed due to COVID. 3. Assessment on impact of COVID on services in short, medium and long term. 4. Financial assessment of the financial implications on the Council of services transferring to the NCS. 5. Development and regular review of Economic Recovery work stream with input from representatives across the 	<p>2019/20</p> <p>2020/21</p> <p>2022/23</p> <p>Assurance also taken from IJB internal audit function</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
						organisation and the Health and Social Care Partnership.	
8	Civil Contingency & Business continuity Arrangements are not effective.	8	1. Emergency Planning Test events 2. Critical Activity Recovery Plans 3. Roll out of Community resilience partnership programme 4. Peer review of major exercises undertaken to provide external validation of planning process 5. West of Scotland local resilience partnership 6. Cross sector expertise and partnership working 7. Emergency Management Support Team (EMST) meetings 8. Training 9. EU Withdrawal Tactical Working Group with arrangements for reporting to the West of Scotland Resilience Partnership	6	Treat	Develop long term test schedule for DRPs to be presented to the SMT (December 2021)	2021/22

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
9	<p>Welfare Reform</p> <p>Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis</p>	12	<p>1. Financial Inclusion and Advice Group established</p> <p>2. Joint working with DWP, CPP and other agencies</p> <p>3. Child Poverty Planning Group set up and active</p> <p>4. Flexible Food Fund created. Supporting householders in our area with funds and advice to address food and fuel insecurities</p>	6	Tolerate	<p>1. Extend Flexible Food Fund Contract for a further year to March 2023.</p> <p>2. Council, HSCP and third sector deliver range of 20 Covid related support projects under the Flexible Fund banner by March 2023.</p> <p>3. Deliver sustainable school clothing bank across the Argyll and Bute area by December 2022.</p> <p>4. One-off top-up payments of £75 per child issued to School Clothing Grant recipients by end of February 2022.</p> <p>5. Argyll and Bute centric anti-poverty training delivered to 600 Council, NHS and third sector staff by March 2022.</p> <p>6. ""Worrying about money"" leaflet to be issued with Council Tax bills containing advice and support for people with money worries in March 2022. Update website with information and support.</p>	<p>2019/20</p> <p>2023/24</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
10	<p>Waste Management</p> <p>Unable to dispose of waste in landfill sites due to the implications of the biodegradable municipal waste (BMW) landfill ban in 2025</p>	20	<p>1. Helensburgh and Lomond waste solution available via third party offtakers</p> <p>2. Waste strategy</p>	16	Treat	<p>1. Options Appraisal undertaken by external consultants and will be reported to EDI Committee in December 2022, which will determine a compliant solution on the BWN ban by the deadline of December 2025.</p> <p>2. Decision will be required by Council as to whether they request a derogation in respect of waste to end the Waste PPP Contract.</p> <p>3. Officers are keeping a watching brief on implications of the Barr Environmental position.</p> <p>4. DRS is being reviewed and officers are keeping a watching brief on this which is due to be implemented in August 2023 and what implications this could have for the Council.</p>	<p>2021/22 (Scrutiny)</p> <p>2023/24</p>
11	<p>Service Delivery - Cyber Security</p> <p>Unable to deliver services to customers because of failure of ICT systems following major cyber security breach</p>	20	<p>1. ICT Security & compliance officer in post, producing weekly threat analyses, member of CiSP</p> <p>2. PSN and Cyber Essentials Plus accreditations for corporate network</p> <p>3. Regular patching regimes in place</p> <p>4. ICT Disaster recovery plans tested regularly</p> <p>5. All critical activities have recovery plans developed (CARP's)</p>	15	Treat	<p>1. Review all contingency plans with updated knowledge from SEPA and UHI Cyber Attacks.</p> <p>2. Work with Scottish Government Cyber Resilience Team to test ICT response</p> <p>3. Issue regular communications to raise awareness of importance of cyber security and awareness</p>	<p>2019/20</p> <p>2022/23</p> <p>2023/24</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
			6. Review the issuing of regular communications to raise awareness of importance of cyber security and awareness again			4. Enforce password changes when found to be weak 5. Cyber Security Resilience Exercise planned for late February 2022. 6. Continued close review of disaster recovery plan and associated tests, finalise and test incident response procedure, and review of mirroring between the 2 data centres (monthly at ITMT) and backup 7. Review and progress requirements for Education Network to achieve CE+ accreditation.	
12	Cost of Living Crisis The Council are unable to respond to the implications arising from the 'Cost of Living' crisis	25	1. Financial stability and support to HSCP 2. Social Welfare and Poverty Funding assistance. 3. Focused support and multi-agency approach where risk is highlighted 4. Monitoring of trends in service use to highlight any significant change as a result of financial hardship 5. Targeted measures - for example to those receiving Council Tax reductions - via Gift Cards and Flexible Food and Fuel Fund	12	Treat	1. Review and monitor changes in demand for key services which correlate to personal effects arising from financial distress. 2. Assessment of the 'Cost of Living' crisis on wellbeing and service capacity/sustainability - December 2022	

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
13	<p>Impact of Climate Change</p> <p>The Council or communities are overwhelmed by severe or more frequent flooding, landslides, rainfall, storms, sea level changes or hot weather events due to changes in global temperature caused by climate change</p>	25	<p>1. Continued delivery of Council De-Carbonisation Plan</p> <p>2. Civil Contingencies Manager liaising/ collaborating with Regional Resilience Partnerships and other resilience partners in terms of storm event, hot weather events, cut off communities, landslides etc.</p> <p>3. Development and delivery of an integrated approach to decarbonisation and adaptation of Argyll and Bute as a Region via Community Planning Partnership</p> <p>4. Roads & Amenity Services continue to develop asset management plan and address strategic risks in terms of rising sea levels, bridge repairs, critical infrastructure vulnerability</p>	12	Treat	<p>1. Review of De-Carbonisation Plan December 2024</p> <p>2. Consideration of all Council Papers with climate change as consideration/ implications - ongoing</p> <p>3. Review scoring of business cases and pipeline of strategic projects with enhanced climate change considerations</p>	2021/22

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ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****16 MARCH 2023**

UNAUDITED ANNUAL ACCOUNTS 2022-23

1 EXECUTIVE SUMMARY

- 1.1 This report advises the Audit and Scrutiny Committee of the plans in place for financial year end 31 March 2023 and the preparation of the Council's Unaudited Annual Accounts for 2022-23.
- 1.2 The appendices to the report outline the timetables for the closure of the Council's 2022-23 General Ledger, the Social Work Closedown and the Annual Accounts Preparation Plan.
- 1.3 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 2023.

UNAUDITED ANNUAL ACCOUNTS 2022-23

2. INTRODUCTION

- 2.1 This report advises the Audit and Scrutiny Committee of the plans in place for financial year end 31 March 2023 and the preparation of the Council's Unaudited Annual Accounts for 2022-23.
- 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 2022-23.

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 2023.

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 and 2.
- 4.3 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure and treasury management revenue accounts completed by 28 April 2023.
 - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 21 April 2023.
 - Review and adjustments to ledger and central department cost allocations completed by 19 May 2023.
 - Council Tax and NDR entries completed by 12 May 2023.
 - Agreement of inter-group balances with Live Argyll and associated journals processed by 28 April 2023.
 - Preparation of Unaudited Annual Accounts including report by Section 95

Officer by 3 June 2023.

- Unaudited Annual Accounts considered by a meeting of the Audit and Scrutiny Committee on 15 June 2023.
- Unaudited Annual Accounts considered by a meeting of the Full Council on 29 June 2023.
- Submission of Unaudited Annual Accounts to Accounts Commission by the statutory deadline of 30 June 2023.

4.4 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 2023 and with supporting documentation of a standard to enable completion of the audit by 30 September 2023.

4.5 Whilst there are no major changes in accounting practice for 2022-23, amendments to IFRS 16 Leases were planned to take effect from 01 April 2022, although this has been delayed until 01 April 2024. To ensure compliance with the new standard, preparatory work is underway to make sure the Council is ready for implementation take effect on 01 April 2024.

5. CONCLUSION

5.1 The timescales are in line with the previous year 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	Fairer Scotland Duty	None at present.
6.5.1	Equalities	None at present.
6.5.2	Socio-Economic Duty	None at present.
6.5.3	Islands Duty	None at present.
6.6	Climate Change	None at present.
6.7	Risk	None at present.
6.8	Customer Service	None at present.

Kirsty Flanagan
Executive Director / Section 95 Officer
21 February 2023

Policy Lead for Financial and Commercial Services - Councillor Gary Mulvaney

For further information please contact Anne Blue, Head of Financial Services, on 01586-555269.

APPENDICES

Appendix 1 – Year End Instructions including General Ledger Closedown and Accounts Preparation Plan.

Appendix 2 - Schedule for Payroll, Overtime and Travel accruals.

Appendix 3 - Health and Social Care Partnership Closedown Timetable



Year End Instructions & General Ledger Closedown Timetable

Financial Year

2022-2023

**YEAR-END INSTRUCTIONS – GENERAL LEDGER CLOSEDOWN
2022/2023 FINANCIAL YEAR**

Section		Page
1	GENERAL	2
2	LIVE ARGYLL	2
3	REVENUE PAYMENTS AND ACCRUALS	
	3.1 Creditor Invoices	2
	3.2 Accruals	3
	3.3 Invoices relating to 2022/2023 awaiting credit notes	3
	3.4 PECOS e-Procurement System	3
4	SUNDRY DEBTORS & INCOME	
	4.1 Sundry Debtors	4
	4.2 Cash Receipting	4
	4.3 Banking of Income	4
	4.4 E-Income Journals and Manual Income Journals	5
	4.5 Imprests	5
5	CAPITAL	
	5.1 Capital Expenditure and Capital Journals	5
	5.2 Capital Financed from Current Revenue	5
6	JOURNALS	
	6.1 Journals	6
7	INTERNAL RECHARGES	
	7.1 Old Year Internal Recharges	6
	7.2 Mail and Print Room Recharges	7
	7.3 Clearance of Account 29901	7
8	STORES/WORK IN PROGRESS	
	8.1 General	7
	8.2 Stock Count	7
	8.3 Work in Progress	7
9	CONTROL AND SUSPENSE ACCOUNTS	
	9.1 Control Accounts	8
	9.2 Suspense Accounts	8
10	PAYROLL	
	10.1 General	8
	10.2 Payruns	8
	10.3 Travel Claims	9
11	AMENDMENTS TO HIERARCHIES / COST CENTRES DURING YEAR END PERIOD	
	11.1 Amendments	9
	APPENDIX 1 – 2022/23 General Ledger Closedown Timetable	
	APPENDIX 2 - Schedule for Payroll, Overtime and Travel Accruals	
	APPENDIX 3 - Health and Social Care Partnership Closedown Timetable	

1 GENERAL

- 1.1 Appendix 1 gives the detailed year end timetable for the closedown of the general ledger. Achievement of the deadlines highlighted in green are critical to achieving a ledger closedown of **26 May 2023**. **It is vital that any slippage from these deadlines is identified as soon as possible and brought to the attention of Morag Cupples so that remedial action may be taken.**
- 1.2 Appendix 3 gives the closedown timetable for the Health and Social Care Partnership which will enable figures to be agreed with the Argyll and Bute Integrated Joint Board (IJB) in respect of the Social Work Service. The deadline for reporting an agreed figure back to Health for inclusion in their year-end figures is **Monday 24 April 2023**.
- 1.3 Year-end instructions specific to Development and Infrastructure Services will be issued from their Departmental Financial Services Team.

2 LIVE ARGYLL

- 2.1 In general, unless otherwise stated below, the timescales set out within these instructions for the Council also apply to Live Argyll.
- 2.2 Specifically note that any transfers of actual income/expenditure or budget between the Trust and the Council must be processed in line with the deadlines set out for the Council journals, i.e. 28 April, or 6 April if they contain VAT.
- 2.3 As internal recharges are not processed for Live Argyll, the debtors deadline of 22 March needs to be adhered to for transactions of this nature otherwise they will require to be accrued.
- 2.4 Diane McMillan will collate all invoices and email to creditors eliminating the need for headers. Invoices relating to the 2022/2023 financial year should be E-mailed to **creditors@argyll-bute.gov.uk** no later than 5pm on Friday 24 March for processing through the payables ledger by 30 March. In doing so, no invoices relating to 2023/2024 will be sent to creditors prior to w/c 3 April 2022.

3 REVENUE PAYMENTS AND ACCRUALS

3.1 Creditor Invoices (Manual Batches)

Invoices relating to the 2022/2023 financial year should be E-mailed to **creditors@argyll-bute.gov.uk** no later than 5pm on Friday 24 March for processing through the payables ledger by 30 March. All old year invoices must be batched separately and be clearly marked as **"2022/2023"**.

Invoices for 2023/24 should not be sent to Creditors until after Monday 3rd April 2023, except in circumstances where an Urgent payment is required.

To enable figures to be agreed with the Argyll and Bute Integrated Joint Board (IJB) in respect of the Social Work Service, Health and Social Care Partnership invoices should be E-mailed to the creditors@argyll-bute.gov.uk by 5pm on 24 March.

3.2 Accruals

All old year invoices received by departments which have failed to make the 5pm Friday 24 March deadline or, the PECOS deadlines detailed at section 3.4, will require to be accrued. In addition, any goods or service received prior to 1 April but not yet invoiced must also be accrued. These items must be input into the accrual templates which will be emailed to the Departmental Financial Services Teams at the beginning of March for distribution.

The Departmental Financial Services Teams will check, review and collate their respective departmental accruals before returning templates to the Finance Support Team for processing. Each Departmental Financial Services Team will agree with their respective department a timeline for the return of all accrual templates and supporting documentation.

Departmental Financial Services Teams must return all accrual templates and, make available, supporting documentation to the Finance Support Team, Kilmory by **5pm on Friday 14th April at the latest**.

In order to comply with Audit requirements, all accruals greater than **£5,000** must have supporting documentation. Auditors may require to understand the basis of the accrual and may test randomly. Acceptable supporting documentation should come in the form of:

- Copy invoice which clearly provides proof of delivery of goods or services on or before 31 March 2023.
- Delivery note dated on or before 31 March 2023.
- Other documentation which provides evidence that the goods or services were provided on or before 31 March 2023.

Orders are not acceptable documentation as they do not show when the goods or services were provided. If you are in any doubt as to what documentation should be provided, please contact your Departmental Financial Services Team.

The Finance Support team will have the accrual templates uploaded by close of play on 21 April. If Departments receive invoices of a material value after their accrual deadline of 14 April, please advise your Financial Services Departmental contact, who will make a determination in conjunction with Financial Services Management as to whether an additional accrual should be processed.

3.3 Invoices relating to 2022/2023 awaiting Credit Notes

If the credit note has not been received in time for the last payment run, and provided the supplier is used regularly, the invoice should be passed for payment and the credit note should be accrued using the invoice accruals template, but shown in the credit column of the accruals template. If the supplier is not used regularly, the invoice should be held awaiting the credit and both the invoice and credit note will require to be accrued.

3.4 PECOS e-Procurement System

All PECOS Invoices are to be submitted to Creditors (pecosinvoices@argyll-bute.gov.uk) by 5pm on Friday 24th March. Creditors will ensure all PECOS invoices are keyed to PECOS by 5pm on Tuesday 28th March.

All PECOS users must ensure unpaid invoices (mismatches or receipt required) are cleared by 5pm on Wednesday 29th March 2023 to allow Creditors to prepare for the final pay run of the year.

All PECOS users must also ensure all **goods/services/works received/completed** within the old financial year are **receipted** on the system by 5pm on Thursday 30st March 2023.

No access to PECOS will be available on Friday 31st March 2023

A PECOS Accrual report will be run by the Procurement Team on Friday 31st March 2023 This will be issued to the Finance Support Team where the data will be manipulated to include the department responsible. This will then be returned to the PECOS Team for issue out to departments on Tuesday 4th April 2023.

- All entries on the PECOS report should be checked by services and accrued where necessary.
- Services will need to ensure that there is sufficient justification in a comments column that will be included on the PECOS report.

- If the order is for over **£5,000** then back-up, in addition to the PECOS system report, will be required and should be submitted to your respective Departmental Financial Services Team by 14 April 2023 at the latest.
- These accruals should be entered onto the main departmental accruals template, which should be completed and returned to the Departmental Finance team.

Any unpaid invoices (mismatches or receipt requirements) cleared after 5pm on Wednesday 29 March 2023 will be automatically paid from the new financial year. If you require this to be paid from the old financial year, you require to mark it up on the accrual report accordingly.

PECOS will continue to operate as normal from Monday 3rd April 2023 but all invoices processed after this date will be held, unpaid, until the first pay run of the new financial year restarts in early April (planned as the 6th April) and all payments will be made from the new financial year.

Departments should take the opportunity to review and action all PECOS reports; Unpaid and Open Orders Reports, they received weekly/monthly in the lead up to year-end and rectify as many of the housekeeping issues as possible. Doing this will greatly reduce the number of orders you need to review on your accrual report.

Note:

Review all open orders on the provided report and:

- Close any orders where you are satisfied that the order is complete with no outstanding items or invoices due.
- Receipt any orders completed.
- Clear any mismatches to allow the payment of the invoice or request a credit note if the invoice is incorrect.
- Chase up any missing orders.
- Chase up any outstanding invoices.
- Cancel any orders no longer required.

4 SUNDRY DEBTORS AND INCOME

4.1 Sundry Debtors

The Debtors Section of Financial Services Team, Campbeltown, must receive debtors account input forms, relating to 2022/23, by 22 March. If you have local input of debtor accounts, all accounts for financial year 2022/23 must be input by 29 March. All such accounts must have a service date of 31 March or prior. Any accounts for the old year that are entered on or after 1 April should have the correct service date entered, even if prior to 31 March. These accounts will have to be included within the income accruals template.

New year sundry debtors should be clearly marked 2023/2024 and these will be entered into the sundry debtor system in the new financial year.

4.2 Cash Receipting System

The cash receipting reports for the 31 March to 1 April will all be processed into 2022/2023 financial ledger. All income received from Saturday 1 April onwards, will be processed in the 2023/2024 financial ledger.

Any income processed through cash receipting for the cash in transit period will be accrued by the cash receipting team.

4.3 Banking of Income

All offices/facilities that collect money and receipt it via the Area Offices should ensure that all money relating to financial year 2022/2023 is taken to the Area Office by 4pm on Friday 31 March.

For offices/facilities that use the bank, again, all money relating to financial year 2022/2023 should be banked before close of business on 31 March.

It is possible that further monies may be received on that day, after the final banking. If this is the case, these amounts will require to be included on the income accruals template and contact should be made with the appropriate Financial Services Departmental Contact.

4.4 E-Income Journals and Manual Income Journals

Staff who complete E-Income Journals (for cash received other than cash processed through the cash receipting system) should do so on 31 March. Completed E- Income journals should be e-mailed on 31 March to the Cash Section (Financial Services). All other manual income journals should be posted on 31 March to arrive at the Cash Section (Financial Services) no later than Wednesday 5th April.

Separate E-Income journals should be completed for income received from 1 April onwards – this will be processed in financial year 2023/2024. E-Income journals and manual income journals should state clearly which financial year the income on that journal relates to.

4.5 Imprests

The Creditors Section (Financial Services) will issue imprest certificates/returns to imprest holders by Monday 27 February. **Certificates for all establishments, including schools, should be returned to the Creditors Section (Financial Services), Campbeltown as soon as possible after 31 March but no later than Friday 14 April.**

5 CAPITAL

5.1 Capital Expenditure and Capital Journals

All capital invoices relating to 2022/23 should be sent to the Campbeltown Creditors section or E-mailed to creditors@argyll-bute.gov.uk as soon as they are received, **but no later than 5pm on Friday 17 March.**

All old year capital invoices received by departments but which have failed to make the 17 March deadline will require to be accrued. In addition, capital expenditure incurred prior to 1 April but not yet invoiced / certificated must also be accrued.

These items must be input into the capital accruals template which will be emailed to the departmental capital programme contacts at the beginning of March. The template should be E-mailed to linda.taylor@argyll-bute.gov.uk by 5pm on Tuesday 4 April. All capital accruals must have supporting documentation which proves that the expenditure was incurred prior to 1 April.

5.2 Capital Financed from Current Revenue (CFCR)

Where expenditure has been incurred on capital items/assets but funded through the revenue budget, this needs to be identified and a journal to transfer the expenditure to capital put through. A template will be e-mailed to the departmental capital programme contacts, asking for information on any CFCR expenditure incurred during 2022/23.

The template should be E-mailed to linda.taylor@argyll-bute.gov.uk by 5pm on Wednesday 1 March 2023.

6 JOURNALS

6.1 Departments will be allowed to process their own journals up to 28 April. Only material adjustments will be processed by the Finance Support Team after this date with agreement of Financial Services Management.

To reflect a normal period end at the end of March, departments will be able to process normal period end journals through the March period in the ledger until Monday 3rd April. After that, all journals processed by departments must be processed through the “adjust” period and not through “March”. Care should be taken over which period is selected as Adjust and April will all be open.

Journals containing VAT which relate to 2022/2023 should **not be processed at all by any staff after 06 April** without consulting Sandra Coles (Financial Services). Sandra will be preparing the VAT return for March once the payables ledger is closed on 31st March and if there are any VAT adjustments made to the old year after this date they will be missed through the VAT return.

Any journals containing capital codes should follow the deadlines set out in Section 5.1 above i.e. 5pm on Friday 17 March.

7 INTERNAL RECHARGES

7.1 Old Year Internal Recharges

Over £1,000

Internal recharges will be processed by the Finance Support Team.

On 1 March, the Finance Support Team will contact the receiving department of any Internal Recharges that are still outstanding on the system dated 31 January or earlier. These should be returned to the Finance Support Team by 24 March for processing.

Creators of invoices in each section can view all invoices raised against their service that are still outstanding by using the “View Recharges Allocated to my Service” choice on the Main menu.

The final date for producing internal recharges for 2022/2023 is Friday 24 March. These should be sent to receiving departments for coding immediately.

Receiving departments should send all internal recharges to the Finance Support Team, Kilmory as early as possible, but no later than 1pm on Wednesday 29 March. These will be processed and coded into March on Friday 31 March.

Any remaining accounts still outstanding will be cleared from the system on 24 March to the cost codes detailed below. A list of charges that have been cleared will be provided to the receiving department.

The following customer department accounts will be debited/credited as appropriate:

Executive Director – Douglas Hendry - Education	E2000010000.29901
Financial Services	C1283010000.29901
Executive Director – Douglas Hendry – non Education	80000000000.29901
Executive Director – Kirsty Flanagan	70000000000.29901
Health & Social Care Partnership	50000030000.29901

Under £1,000

The journal prepared by each department for any Internal recharges less than £1,000 for the March period should be sent to the Finance Support Team by 12 noon on Wednesday 5 April and will be uploaded into the ledger on Thursday 6 April.

7.2 Mail and Print Room Recharges

The monthly mail and print room charges for the March period should be sent to the Finance Support Team by 12 noon on 5 April and will be uploaded into the ledger on Thursday 6 April 2023.

7.3 Clearance of Internal Recharges Clearance Account No 29901

Departmental journals should be raised to clear the 29901 accounts. However, it is expected that departments will make all attempts to clear outstanding invoices before any transfer to the 29901 accounts can take place. It is the responsibility of each department to ensure recharges coded to 29901 are cleared prior to Friday 21st April.

8 STORES/WORK IN PROGRESS

8.1 General

Departments should inform their Principal Accountants as soon as possible if they consider that they will have any difficulty in complying with the following stock and work in progress working paper requirements.

Internal audit will be present at selected stock counts and will be performing sample checks. External audit may also be present.

8.2 Stock Count

All Development and Infrastructure Services (Salt and Fuel), and Social Work stores must perform a full physical stock count on or around 31 March. Instructions will be issued to all Development and Infrastructure Services locations with stores by 1 March by the Development and Infrastructure Services Financial Services Team. The Social Work Departmental Finance Team will issue instructions for the Social Work stores.

Stock certificates must be completed by Roads and Infrastructure Services and Social Work Services and sent to their Departmental Principal Accountant by Thursday 06 April. These certificates should be accompanied by detailed working papers including;

- Original stock count working papers.
- Final priced stock sheets (quantity x price) totalled to give stock value for each store.
- Details of obsolete stock and any stock provisions / write-downs.

The Principal Accountants should retain all reviewed certificates and the above stock working papers for inclusion in the year-end working paper files for the external auditors by Friday 14 April. Where possible electronic working papers should be provided.

8.3 Work in Progress – Roads and Lighting Operational Holding Account

Development and Infrastructure Services are required to prepare a valued list of work in progress for the Roads and Lighting Operational Holding Account by 3 May and this should be passed over to the Principal Accountant – Development and Infrastructure Services for review.

Detailed listings at works order level of work in progress for the Roads and Lighting Operational Holding Account should be retained (preferably in electronic format) to back up the work in progress figure processed through the ledger.

9 CONTROL AND SUSPENSE ACCOUNTS

9.1 Control Accounts

A responsible person has been identified for each control account in the general ledger. Reports will be issued on 03 April to the relevant Finance Contact, giving the current balance on each control account along with a "Carry Forward of Control Account Balance" form. The balance in the control account either requires to be cleared to zero or carried forward to the next financial year. The Finance Contact will complete the appropriate forms once all journal entries have been processed and ensure they are signed off by the responsible person. If a carry forward is required, justification and a reconciliation must be attached to the carry forward form. Care should be taken to ensure that any balances to be carried forward are correct and represent a genuine debtor or creditor.

The "Carry Forward of Control Account Balance" form should be sent to the Finance Support Team (Kilmory) by Friday 28 April.

All clearance and adjusting journals will be processed by the Finance Support Team by Friday 5 May.

The Revenue and Benefits Finance Manager has until Friday 12 May to clear the "raw cash" control account balances in conjunction with processing of year-end council tax and NDR journals.

9.2 Suspense Accounts

A responsible person has been identified for each suspense account in the general ledger. Reports will be issued on 03 April giving the balance on each suspense account. This balance requires to be cleared. Under no circumstances should transferring to another suspense account clear the balance. All clearance journals for suspense accounts other than payroll suspense must be completed and input into the ledger by Friday 21 April.

Entries from the monthly Pay07 payroll run which hit the payroll suspense should be cleared by 14 April and cleared by 27 April for the Pay10 teachers' payroll run. This will enable the payroll accruals to be prepared and processed through the ledger.

10 PAYROLL

10.1 General

Deadlines for the receipt of timesheets, expenses and other payroll input from departments will follow normal payroll deadlines. Separate guidance will be issued from Financial Services/Payroll, Campbeltown prior to the year-end.

Any additional questions on payroll and travel claims should be directed as follows:

Payroll – 01586 555211
Travel Claims– Malcolm Bannatyne – 01586 555256

10.2 Payruns

Details of the method of calculating payroll accruals are noted below and accruals will be processed by the Financial Services Finance Support Team. Appendix 2 gives full details of the year end payroll dates and accruals required.

Payrun	Week/Month No	Proportion Accrued		
		Payroll	Overtime	Travel & Subsistence
Pay 07 Monthly	01	16/31sts	100%	100%
Pay 10 Teachers	01	100% part time hrs *	N/A	100%

* Part time teachers' hours and enhancements relating to March will be 100% accrued.

10.3 Travel Claims

Staff travel claims are mainly submitted via the “MyView” on-line system. The year-end deadlines for “MyView” travel and expense claims are as follows:

- PAY 07 Mth 12 - must be submitted by 21 February 2022 & authorised by 28 February 2022.
- PAY 07 Mth 1 - must be submitted by 24 March 2023 & authorised by 31 March 2023.
- PAY 10 Mth 1 - must be submitted by 14 April 2023 & authorised by 20 April 2023.

The above cut-off dates for travel and expense claims over the year-end period will be clearly displayed on the “MyView” system when staff log in.

All other travel expense claims should be sent to the Creditors Section no later than the above authorised date for the appropriate payroll.

Care should be taken to note the dates for receipt of travel and expense claims at the creditors section in order to ensure that as much travel and expenses as possible for the period up to 31 March 2023 is incorporated within the pay run that will be accrued. It is essential, for accrual purposes, that all business mileage incurred up to and including 31 March is incorporated into one claim and any business mileage incurred on or after 1 April is entered onto a separate claim.

If a travel claim is not going to meet the creditor section’s deadline, then the department will require to accrue the travel claim manually. In this instance, it is still preferable to have two separate travel claims for before and after the 31 March, for ease of accrual preparation.

It is imperative that leased car users enter their final milometer reading onto their 2022/2023 claim. Details of Essential and Leased car users business mileage must be communicated to the Inland Revenue and is used to calculate their tax, so it is very important that the figures given are accurate and relate to the correct financial year.

11 AMENDMENTS TO HIERARCHIES / COST CENTRES DURING YEAR END PERIOD

11.1 Any cost centre/account codes that have been used in the period year 2022/2023 that have to be disabled for the year 2023/2024 will not be processed until after the Support Service model has been run through the ledger and the analytical review has been completed.

The control sheets should be E-mailed to astrid.ronald@argyll-bute.gov.uk and will be held until the changes are made. The period that this affects is 31 March 2023 – 31 May 2023.

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23
1. Capital Expenditure Processing	1	CFCR template returned to Financial Services	Morag Cupples	Departments	01/03/2023
	2	Processing of CFCR journals by Finance Support Team	Morag Cupples	Finance Support Team	03/03/2023
	3	Deadline for capital payments to Creditors Section	Morag Cupples	Departments	17/03/2023
	4	Processing of final external capital payments	Morag Cupples	Creditors Section	20/03/23 - 22/03/23
	5	Roads Capital Measures	Morag Cupples	Departments	22/03/2023
	6	Final Payment Run Processed Capital	Morag Cupples	Creditors Section	23/03/2023
	7	Year end journals of transfers to/from revenue accounts	Morag Cupples	Linda Taylor	22/03/2023
	8	Property Fee Charges Processed and Infrastructure Design Billing Run	Morag Cupples	Linda Taylor	04/04/2023
	9	Ledger checked daily for capital expenditure	Morag Cupples	Linda Taylor	03/04/23 - 28/04/23
	10	Deadline for capital accruals template/CFCR template/journals to Financial Services (Whitegates)	Morag Cupples	Departments	04/04/2023
	11	Processing of final external capital payments/accruals	Morag Cupples	Linda Bain	06/04/2023
	12	Capital expenditure processing complete	Morag Cupples	Linda Taylor	06/04/2023
2. Fixed Assets Non-Current Assets Available for Sale	13	Capital expenditure final download from ledger	Morag Cupples	Linda Taylor	06/04/2023
	14	Allocate Capital Grant	Morag Cupples	Linda Taylor	06/04/2023
	15	Allocation of balance sheet codes to mass allocation journal	Morag Cupples	Linda Taylor	11/04/23 to 28/04/23
	16	Mass allocation processed	Morag Cupples	Linda Bain	28/04/2023
	17	Capital expenditure complete	Morag Cupples	Linda Taylor	28/04/2023
	Depreciation/Property Plant and Equipment Processing	18	Revaluation of Properties by Estates - including supporting evidence of assets classified for sale	Morag Cupples	Estates
19		Update asset register for new assets/additions/disposals/transfers	Morag Cupples	Linda Taylor	02/05/23 to 05/05/23
20		Run depreciation/impairment charges and process journal	Morag Cupples	Linda Taylor	05/05/2023
21		Update Asset Register for Revaluations	Morag Cupples	Linda Taylor	08/05/23 - 09/05/23
22		Process balance sheet depreciation/revaluation journals	Morag Cupples	Linda Taylor	10/05/23 - 12/05/23
23		Reconcile asset register to ledger	Morag Cupples	Linda Taylor	15/05/23 - 18/05/23
24		Capital Accounting Entries Complete	Morag Cupples	Linda Taylor	18/05/2023

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23	
3. Loan Charges	25	Complete interest on revenue balances	Moira Miller	Sandra Coles	24/03/2023	
	26	Complete PSTM Reconciliations	Moira Miller	Sandra Coles	05/04/23 to 12/04/23	
	27	Accrual of Borrowing Interest and Expenses	Moira Miller	Sandra Coles	07/04/23 to 14/04/23	
	28	Accrual of Investment Interest and Expenses	Moira Miller	Sandra Coles	07/04/23 to 14/04/23	
	29	Financial Services expense allocation	Moira Miller	Sandra Coles	14/04/2023	
	30	Provision of capital repayment figures for house loans	Moira Miller	Duncan MacBrayne	27/03/23 to 06/04/23	
	31	Calculate weighted capital expenditure in year	Anne Blue	Moira Miller	12/04/2023	
	32	Input annuity rate loan charges model and calculate loan charges	Anne Blue	Moira Miller	12/05/2023	
	33	Process loans charges/SMGFB (Statement of Movement in General fund) journals	Moira Miller	Sandra Coles	14/04/2023	
	34	Loans fund revenue account (ensure nil)	Moira Miller	Sandra Coles	18/05/2023	
	35	Management review of loans fund calculations after all journals processed through ledger	Kirsty Flanagan	Anne Blue	15/05/23 - 16/05/23	
		36	Loans Charges Complete	Anne Blue	Moira Miller	18/05/2023
	4. IFRS Pensions Accounting - Year End Accounting Entries	37	Complete & submit Organisation Report Request Form to Hymans		Anne Blue	01/03/2023

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23
	38	IFRS Pensions Report Received from Actuaries (Hymans Robertson)	Anne Blue	Anne Blue	31/03/2023
	39	Check reasonability of data in report	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	17/04/2023
	40	Calculate pensions entries in ledger	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	17/04/2023
	41	Process pensions entries in ledger	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	17/04/2023
	42	Check no bottom line impact on general fund	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	17/04/2023
	43	IFRS Pension Entries Complete	Anne Blue	Lorna Semple/Abbie MacIver	17/04/2023
5. Creditor Payments	44	Deadline for Health and Social Care Partnership Invoices to Creditors	David Forshaw / Malcolm Bannatyne	Departments	24/03/2023
	45	Departments processing old year invoices	Departments	Departments	24/03/2023
	46	Deadline for passing invoices to Finance (Campbeltown)	Malcolm Bannatyne	Departments	24/03/2023
	47	Processing of final revenue payments 2022-23	Malcolm Bannatyne	Creditors Section	30/03/2023
	48	Final payment run processed	Malcolm Bannatyne	Creditors Section	30/03/2023
		Payables re-opens for processing to April	Malcolm Bannatyne	Creditors Section	03/04/2023
	49	Production and processing of final feeders to road costing	Malcolm Bannatyne	Creditors Section	31/03/2023
	50	Closure of March 2021 Period (5pm)	Mary McCallum	Astrid Ronald	31/03/2023
	51	Reconciliation of Core Payables Liability	Mary McCallum	Duncan MacBrayne	31/03/2023
	52	VAT return completed	Moira Miller	Sandra Coles	11/04/23 - 21/04/23
	53	Creditor Payments and VAT completed	Mary McCallum	Astrid Ronald	21/04/2023
6. Health and Social Care Integration	54	Agree final outturn position with Chief Financial Officer of Integrated Joint Board	David Forshaw	Lorna Semple/Abbie MacIver	24/04/2023
7. Revenue Accruals/Prepaid Expenditure	55	Accrued/Prepaid expenditure templates issued to departments	Mary McCallum	Astrid Ronald	01/02/2023
	56	Departments complete accrued / prepaid expenditure templates - this to be collated and checked by Departmental Financial Services Teams	Principal Accountants	Departments / Departmental Support Teams	20/03/2023 - 14/04/2023

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23
	57	Deadline for return of accrued / prepaid expenditure templates to Finance Support Team	Principal Accountants	Departmental Support Teams	14/04/2023
	58	Finance Support team process accrued/prepaid expenditure	Mary McCallum	Astrid Ronald	17/04/23 - 21/04/23
	59	Deadline for Upload of Accrual Templates to General Ledger.	Mary McCallum	Astrid Ronald	21/04/2023
<i>PECOS Accruals</i>	60	All PECOS invoices to be with Creditors for keying by 5pm.	Departments	Departments	24/03/2023
	61	Final keying of PECOS invoices by Creditors.	Malcolm Bannatyne	Creditors Section	28/03/2023
	62	All unpaid invoices (mismatches and receipts) required to be cleared from PECOS system by 5pm. Procurement will continue to issue weekly reports of all unpaid invoices to Heads of Service for circulation to their staff. Each PECOS requisitioner is responsible for clearing their own unpaid invoices.	Mary McCallum	Departments / Emma Graham	29/03/2023
	63	Final PECOS interface with payables ledger for 2022-23. <i>(Run matching process at 5.30pm on 29th)</i>	Mary McCallum	Creditors Section	29/03/2023
	64	Final PECOS Pay-All of 2022-23	Malcolm Bannatyne	Creditors Section	30/03/2023
	65	All PECOS users to ensure all <u>goods/services/works received/completed</u> within the old financial year are receipted on the system by 5pm.	Departments	Departments	30/03/2023
	66	PECOS Accrual Report run.	Mary McCallum	Emma Graham	31/03/2023
	67	PECOS Accrual Report issued to Finance Support Team to manipulate to include department and return to PECOS team to issue to Departments.	Mary McCallum	Emma Graham /Duncan MacBrayne	03/04/2023
	68	Circulation of year end reports to each Department.	Mary McCallum	Emma Graham	04/04/2023
	69	PECOS interfaces to Payables to continue processing into New Year.	Mary McCallum	Procurement/Creditors	From 03/04/23
	70	Departments to include unpaid receipted orders on main PECOS accrual template.	Principal Accountants	Departments / Departmental Support Teams	by 14/04/23
<i>Holiday Pay Accrual - Teachers</i>	71	Collection of teacher data / calculation of accrual	Mary McCallum	Mary McCallum	28/03/23-11/04/23
	72	Completion of holiday pay accrual template based on previous years sample and methodology	Mary McCallum	Mary McCallum	03/04/23 to 11/04/23

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23	
<i>Payroll - Pay 07 MONTHLY (Month 1)</i>	73	Complete Flexi leave accrual calculations	Mary McCallum	Mary McCallum	03/04/23 to 11/04/23	
	74	Process journal and SMR reversing entry	Mary McCallum	Mary McCallum	12/04/2023	
	75	Deadline for Travel/Expense Claims to Creditors - Pay 07 Month 1	Malcolm Bannatyne	Departments	24/03/2023	
	76	Deadline for Timesheets to Payroll - Pay 07 Month 1	Lorraine Brodie	Departments	05/04/2023	
	77	Processing Pay 07 Month 1	Lorraine Brodie	Payroll Section	06/04/2023	
	78	Clearance of Pay 07 Month 1 suspense items	Lorraine Brodie	Payroll Section	14/04/2023	
	79	Accrual Pay 07 Month 1	Mary McCallum	Ailsa Laing / Duncan MacBrayne	14/04/23 to 19/04/23	
<i>Payroll - Pay 10 TEACHERS (Month 1)</i>	80	Deadline for Travel/Expense Claims to Creditors - Pay 10 Teachers Month 1	Malcolm Bannatyne	Departments	14/04/2023	
	81	Deadline for Timesheets to payroll Pay 10 Teachers Month 1	Lorraine Brodie	Departments	20/04/2023	
	82	Processing Pay 10 Teachers Month 1	Lorraine Brodie	Payroll Section	21/04/2023	
	83	Clearance of Pay 10 Month 1 suspense items	Lorraine Brodie	Payroll Section	27/04/2023	
<i>Payroll - Pay 10 TEACHERS (Month 2)</i>	84	Accrual Pay 10 Teachers Month 1	Mary McCallum	Ailsa Laing / Duncan MacBrayne	27/04/22 to 28/04/22	
	85	Deadline for Travel/Expenses Claims - Pay 10 Teachers Month 2	Malcolm Bannatyne	Departments	05/05/2023	
	86	Deadline for Timesheets to Payroll Pay 10 Teachers Month 2	Lorraine Brodie	Departments	18/05/2023	
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	87	Processing Pay 10 Teachers Month 2	Lorraine Brodie	Payroll Section	19/05/2023	
	88	Deadline for sending debtor accounts to Debtors Section	Fergus Walker	Departments	22/03/2023	
	89	Input of old year debtor accounts (Central and Local)	Fergus Walker	Jennifer Gorman	23/03/23 to 29/03/23	
	90	Year end reports produced	Fergus Walker	Jennifer Gorman	05/04/2023	
	91	Sundry Debtor account reconciliations	Fergus Walker	Jennifer Gorman	05/04/2023 - 14/04/2023	
	92	Calculation of Sundry Debtors Bad Debt Provision	Fergus Walker	David Forshaw	12/04/23 to 14/04/23	
	93	Process journal adjusting ledger for change in Sundry Debtors BDP	Fergus Walker	David Forshaw	14/04/2023	
	94	Sundry Debtor accounts complete	Fergus Walker	David Forshaw	14/04/2023	
	<i>Housing Benefit Overpayments</i>	95	Calculation of Housing Benefit Overpayment Debtor	Fergus Walker	Fergus Walker	05/05/2023
		96	Calculate associated bad debt provision	Fergus Walker	Fergus Walker	05/05/2023
97		Process journals for housing benefit overpayments	Fergus Walker	Fergus Walker	05/05/2023	
	98	Housing Benefit Overpayments Complete	Fergus Walker	Fergus Walker	05/05/2023	

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23
<i>Banking</i>	99	All monies/cheques should be banked	Departments	Departments	31/03/2023
	100	Monies/cheques received after final banking relating to 2022-23 to be added to accruals template	Principal Accountants	Departments	01/04/23 to 05/04/23
<i>E-Income Journals</i>	101	Deadline for E- Income Journals to Cash Section. Kintyre House, Campbeltown.	Margo Turner/Nancy Hope	Departments	31/03/2023
	102	Cash Section to process year-end E-income journals	Margo Turner/Nancy Hope	Cash Section	01/04/23 to 05/04/23
	103	Bank reconciliation on expenditure account	Malcolm Bannatyne	Creditors Section	11/04/23 to 21/04/23
	104	Bank reconciliation on Council Tax and NDR account	Fergus Walker	Alison McGeachy	05/04/23-21/04/23
	105	Bank reconciliation on Income Account	Fergus Walker	Alison McGeachy	05/04/23-21/04/23
	106	Bank reconciliation on Housing Benefit Account	Fergus Walker	Sharon Leitch	05/04/23-21/04/23
	107	Bank reconciliation on Land Contamination Bank Account	Moira Miller	Sandra Coles	06/04/23 to 21/04/23
<i>Imprests</i>	108	Imprest certificates/returns issued to imprest holders	Malcolm Bannatyne	Graham Munro	27/02/2023
	109	Establishments complete certificates/returns	Departments	Departments	31/03/23 to 14/04/23
	110	Deadline for return of Certificates to Creditors Section	Departments	Departments	14/04/2023
	111	Reconciliation of all Imprest balances (including schools)	Malcolm Bannatyne	Graham Munro	17/04/23 to 21/04/23
	112	Process final imprest adjustments in ledger	Malcolm Bannatyne	Graham Munro	24/04/2023
	113	Income Accrual / Deferred Income Templates issued to departments	Mary McCallum	Astrid Ronald	01/02/2023
<i>Other Income Accruals / Deferred Income</i>	114	Departments complete other income accrual/ deferred income templates	Principal Accountants	Departments	21/03/2023 - 14/04/2023
	115	Deadline for return of accrued / deferred income templates to Finance Support Team.	Principal Accountants	Departmental Support Teams	14/04/2023
	116	Finance Support team process income accruals / deferred income	Mary McCallum	Astrid Ronald	17/04/23 - 21/04/23
9. Internal Recharges	117	Final date for producing 2022-23 Internal recharges	Departments	Departments	24/03/2023
	118	Deadline for coded recharges to be sent to Finance Support Team	Departments	Departments	29/03/2023
	119	Internal Recharges uploaded into the ledger	Mary McCallum	Margaret Ellis	31/03/2023
	120	Outstanding Accounts cleared from Internal Recharge system	Mary McCallum	Margaret Ellis	31/03/2023

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23	
<i>10. Stores and Work in Progress - Stores</i>	121	Submit Manual journal entries for any Internal Recharges that need to be processed for 22-23 FY. Upload by Finance Support Team	Mary McCallum	Elaine Maxwell	05/04/2023	
	122	Uploaded by finance Support Team	Mary McCallum	Astrid Ronald	06/04/2023	
	121	Departments to clear 29901 accounts	Departments	Departments	04/04/23-06/04/23	
	122	Accounting and Budgeting Teams issue instructions to Stores	Morag Cupples / David Forshaw	Departments	27/02/2023	
	123	Departments prepare for stock count	Morag Cupples / David Forshaw	Departments	01/03/23 to 30/03/23	
	124	Stock count	Morag Cupples / David Forshaw	Departments	31/03/2023	
	125	Stock certificates to be completed and sent to Principal Accountants, Development and Infrastructure Services and Social Work	David Forshaw/Lorna Jordan/Linda Taylor	Elizabeth Moller	01/04/23 to 06/04/23	
	<i>Work in Progress</i>	126	Principal Accountants to review certificates and process final journal	David Forshaw/Lorna Jordan/Linda Taylor	Elizabeth Moller	11/04/23 to 14/04/23
		127	Department prepares a valued list of Works in Progress	Linda Taylor	Departments	01/04/23 to 03/05/23
		128	Pass to Principal Accountant for Review and Journal Processing	Linda Taylor	Bruce MacPherson	03/05/23 to 04/05/23
129		Consolidation Adjustments (if any)	Linda Taylor	Bruce MacPherson	08/05/2023	
130		Finalise Lead Schedule and Working Papers	Linda Taylor	Linda Taylor	08/05/2023	
<i>11. Control and Suspense Accounts - Control Accounts</i>	131	Report issued to Control Account Holder	Mary McCallum	Ailsa Laing	03/04/2023	
<i>12. Journals and Feeders</i>	132	Clear balance or complete Carry Forward of Control Account Balance form	Mary McCallum	Control Account Budget Holders	03/04/23 - 28/04/23	
	133	Transfer of control account balances to Balance Sheet	Mary McCallum	Ailsa Laing	02/05/23 - 05/05/23	
	134	Report issued to Suspense Account Holder	Mary McCallum	Ailsa Laing	03/04/2023	
	135	Balance should be cleared (excluding payroll suspense which should be cleared by 06 April for Pay07 entries and 25 April for Pay10)	Mary McCallum	Departments	05/04/23 to 21/04/23	
	136	Opening of April and Adjust Periods	Mary McCallum	Astrid Ronald	03/04/2023	
	137	Departments prepare and input journals	Principal Accountants	Departments	03/04/23 - 28/04/23	

Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2022-23	Undertaking Task 2022-23	Completion Date 2022-23
	138	Dept's cut off date for journals	Mary McCallum	Departments	28/04/2023
	139	Processing of Central Finance journals	Mary McCallum	Astrid Ronald	28/04/2023
	140	Final feeders from roads costing to general ledger	Linda Taylor	Joyce Cowan	03/04/23 to 03/05/23
	141	Preparation and input of any final journals identified	Principal Accountants	Departmental Support Teams	03/04/23 - 28/04/23
	142	Central support / departmental admin recharging	Mary McCallum	Mary McCallum	15/05/23-19/05/23
	143	Input of Live Argyll Journals and agreement of final Balance Sheet Position	Sharon Macalister	Beth Walkosz	03/04/23 - 28/04/23
	144	Input of Council Tax & NDR Journals / Clearance of Raw Cash Accounts	Fergus Walker	Fergus Walker	03/04/23 - 12/05/23

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
1. (a) Year end monitoring	1	Completion and return of earmarking requests	Principal Accountants	Finance Contacts	17/04/23 to 5/05/23
1. (a) Year end monitoring	2	Preparation of year-end monitoring reports	Mary McCallum	Mary McCallum / Abi Harley	22/05/23-24/05/23
1. (a) Year end monitoring	3	Perform year-end monitoring with departmental explanations	Principal Accountants	Finance Contacts	25/05/23-26/05/23
1. (a) Year end monitoring	4	Deadline for return of completed revenue monitoring	Principal Accountants	Principal Accountants	26/05/2023
1. (a) Year end monitoring / 20. Revenue Budget Monitoring Report	5	Preparation of Year-end Revenue Budget Monitoring Corporate Overview and Committee Report	Mary McCallum	Mary McCallum / Abi Harley	29/05/2023
1. (a) Year end monitoring / 19. Earmarked Reserves Report	6	Preparation of Year-end Reserves Report	Mary McCallum	Mary McCallum / Abi Harley	26/05/2023
1. (a) Year end monitoring	7	Deadline for Reports to SMT	Mary McCallum	Mary McCallum / Abi Harley	30/05/2023
1 (b) Analytical Review	8	Preparation of analytical review	Mary McCallum	Mary McCallum / Abi Harley	02/06/2023
1 (b) Analytical Review	9	Update analytical review with departmental explanations	Principal Accountants	Finance Contacts	05/06/23-22/06/23
1 (b) Analytical Review	10	Deadline for completion of analytical review	Principal Accountants	Principal Accountants	23/06/2023
1 (b) Analytical Review	11	Submit analytical review to Auditors	Mary McCallum	Mary McCallum / Abi Harley	30/06/2023
1 (c) LFR	12	Run downloads for LFR returns	David Forshaw	Moira Miller	26/05/2023
1 (c) LFR	13	Complete Support Services Working Paper	David Forshaw	Moira Miller	26/05/2023
1 (c) LFR	14	Create LFR Return Working Paper Source File	David Forshaw	Moira Miller	TBC
1 (c) LFR	15	Prepare Individual Returns	David Forshaw	Moira Miller/ Linda Taylor / Fergus Walker / Gill Allenby / Lorna Jordan	TBC
1 (c) LFR	16	Check & submit	David Forshaw	Moira Miller	TBC
2. Comprehensive Income and Expenditure Statement	17	Run Retained Earnings Proof	Morag Cupples	Morag Cupples	22/05/2023
2. Comprehensive Income and Expenditure Statement	18	Run Comprehensive Income & Expenditure download (cost centres, cost centres and account codes)	Morag Cupples	Morag Cupples	22/05/2023
2. Comprehensive Income and Expenditure Statement	19	Final Outturn CI&E based on management structure	Morag Cupples	Morag Cupples	22/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>2. Comprehensive Income and Expenditure Statement</i>	20	Complete Comprehensive Income & Expenditure Statement	Morag Cupples	Morag Cupples	22/05/2023
<i>2. Comprehensive Income and Expenditure Statement</i>	21	Comprehensive Income & Expenditure Statement completed	Morag Cupples	Morag Cupples	22/05/2023
3. Expenditure and Funding Analysis	22	Calculate adjustments between funding and accounting basis on management structure	Morag Cupples	Morag Cupples	24/05/2023
3. Expenditure and Funding Analysis	23	Complete Note 31 - Note to the Expenditure and Funding Analysis	Morag Cupples	Morag Cupples	24/05/2023
3. Expenditure and Funding Analysis	24	Complete main Expenditure and Funding Analysis Statement	Morag Cupples	Morag Cupples	24/05/2023
4. Comprehensive Income and Expenditure Statement Notes	25	Complete General Fund Earmarking Note (Note 5)	Mary McCallum	Mary McCallum / Abi Harley	22/05/2023
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	26	Complete Segmental Reporting Note for Accounts (Note 6) - Analysis of Expenditure and Income by Nature (Note 6.1) and Revenue from contracts with service recipients (Note 6.2)	Morag Cupples	Morag Cupples	26/05/2023
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	27	Complete Other Operating Income and Expenditure Note (Note 7)	Morag Cupples	Morag Cupples	26/05/2023
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	28	Complete Agency Income Note (Note 8)	Moira Miller	Morag Cupples	26/05/2023
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	29	Community Care and Health (Scotland) Act 2002 (Note 9)	David Forshaw	Elizabeth Moller	15/05/23 to 19/05/23

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
4. <i>Comprehensive Income and Expenditure Statement Notes</i>	30	Complete Waste Management PPP note (Note 11)	Linda Taylor	Brenda Mitchell	17/05/23 to 19/05/23
4. <i>Comprehensive Income and Expenditure Statement Notes</i>	31	Complete Fees Payable to External Auditors note (Note 10)	Mary McCallum	Ailsa Laing	28/04/2023
4. <i>Comprehensive Income and Expenditure Statement Notes</i>	32	Complete Grant Income note (Note 12)	Mary McCallum	Bruce MacPherson/Mary McCallum	17/05/23 to 19/05/23
<i>Related Parties (Note 13)</i>	33	Arrange for related party letters to be sent to members and senior officers	Sandra Coles	Fiona Ferguson	27/02/2023
<i>Related Parties (Note 13)</i>	34	Scottish Government (Note 13.1) - check narrative.	Moira Miller	Moira Miller	15/05/2023
<i>Related Parties (Note 13)</i>	35	Complete Members related party transactions exceeding £10k table (Note 13.2)	Moira Miller	Moira Miller	15/05/23 to 19/05/23
<i>Related Parties (Note 13)</i>	36	Complete other related bodies note, identifying those that exceed £10k (Note 13.3)	Moira Miller	Moira Miller	15/05/23 to 19/05/23
<i>Related Parties (Note 13)</i>	37	Comprehensive Income & Expenditure Statement Notes completed	Morag Cupples	Morag Cupples	26/05/2023
5. <i>Balance Sheet - PPE (Note 14)</i>	38	Complete Movement in Property Plant and Equipment note (Note 14.1)	Morag Cupples	Linda Taylor	17/05/23 to 19/05/23
5. <i>Balance Sheet - PPE (Note 14)</i>	39	Complete Valuation of Property, Plant and Equipment note (Note 14.2)	Morag Cupples	Linda Taylor	17/05/23 to 19/05/23
5. <i>Balance Sheet - PPE (Note 14)</i>	40	Depreciation (Note 14.3)	Morag Cupples	Linda Taylor	17/05/23 to 19/05/23
5. <i>Balance Sheet - PPE (Note 14)</i>	41	Summary of Capital Expenditure and Financing (Note 14.4)	Morag Cupples	Linda Taylor	17/05/23 to 19/05/23

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>5. Balance Sheet - PPE (Note 14)</i>	42	Commitments under Capital Contracts (14.5)	Morag Cupples	Linda Taylor	22/05/23 to 26/05/23
<i>Heritage Assets (Note 15)</i>	43	Provide Reconciliation of Carrying Values	Morag Cupples	Linda Taylor	26/05/2023
<i>Heritage Assets (Note 15)</i>	44	Complete Heritage Asset Disclosures (Note 15)	Morag Cupples	Linda Taylor	26/05/2023
<i>Intangible Fixed Assets Note (Note 16)</i>	45	Complete Movement in Intangible Fixed Assets note (Note 16)	Morag Cupples	Linda Taylor	26/05/2023
<i>Investment Property (Note 17)</i>	46	Investment Property (Note 17) - check narrative.	Morag Cupples	Linda Taylor	26/05/2023
<i>Investment Property (Note 17)</i>	47	Complete Movement in Investment Property note (Note 17.1)	Morag Cupples	Linda Taylor	26/05/2023
<i>Investment Property (Note 17)</i>	48	Calculate Investment Property Income and Expenditure and complete note (Note 17.2), ensure reconciles to analysis of investment income on face of CI&E	Morag Cupples	Linda Taylor	26/05/2023
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	49	Complete Assets Held under Schools NPDO /Hub Schools contract note (Note 18 / 18.1)	Morag Cupples	Linda Taylor	17/05/2023
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	50	Complete Schools NPDO /Hub Schools Finance Lease Liability note (Note 18.2)	Moira Miller	Moira Miller	28/04/2023
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	51	Complete Payments due to Operator Under Schools NPDO Contract note (Note 18.3)	Moira Miller	Moira Miller	28/04/2023
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	52	Complete Payments due to Operator under Hub Schools (Note 18.4)	Moira Miller	Moira Miller	28/04/2023
<i>Operating Leases (Note 19)</i>	53	Request information from departments re operating leases	Morag Cupples	Moira Miller	13/03/2023
<i>Operating Leases (Note 19)</i>	54	Departments complete operating lease template	Morag Cupples	Moira Miller	13/03/23 to 21/04/23

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Operating Leases (Note 19)</i>	55	Complete Operating Leases - Amounts Paid to Lessors note (Note 19.1)	Morag Cupples	Moira Miller	13/03/23 to 21/04/23
<i>Operating Leases (Note 19)</i>	56	Complete Assets Held Under Operating Leases note (Note 19.2)	Morag Cupples	Moira Miller	13/03/23 to 21/04/23
<i>Finance Leases (Note 20)</i>	57	Request information from departments re finance leases	Moira Miller	Sandra Coles	13/03/2023
<i>Finance Leases (Note 20)</i>	58	Complete Finance Leases - Amounts Paid to Lessors note (Note 20.1)	Moira Miller	Sandra Coles	24/04/2023
<i>Finance Leases (Note 20)</i>	59	Complete Assets Held Under Finance Leases note (Note 20.2)	Moira Miller	Sandra Coles	25/04/2023
<i>Finance Leases (Note 20)</i>	60	Complete Finance Lease Liability note (Note 20.3)	Moira Miller	Sandra Coles	25/04/2023
<i>Long Term Debtors/Investments (Note 21)</i>	61	House Loans (Working Papers Completed)	Mary McCallum	Duncan MacBrayne	12/04/2023
<i>Long Term Debtors/Investments (Note 21)</i>	62	Waste PPP Land Contamination Fund	Moira Miller	Sandra Coles	17/04/2023
<i>Long Term Debtors/Investments (Note 21)</i>	63	Calculation of Charging Orders - Care Home Fees LT Debtor and completion of associated working papers	David Forshaw	Lorna Semple	14/04/2023
<i>Long Term Debtors/Investments (Note 21)</i>	64	SHF - Loans to Registered Social Landlords	Moira Miller	Moira Miller	14/04/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Long Term Debtors/Investments (Note 21)</i>	65	ALIEA - Alienergy long term debt	Morag Cupples	Morag Cupples	14/04/2023
<i>Long Term Debtors/Investments (Note 21)</i>	66	Calculation and working papers for Other Long Term Debtors (if any)	Moira Miller	Moira Miller	19/05/2023
<i>Long Term Debtors/Investments (Note 21)</i>	67	Finalise Lead Schedule and Working Papers	Moira Miller	Moira Miller	19/05/2023
<i>Long Term Debtors/Investments (Note 21)</i>	68	Completion of LT Debtor Note (21)	Moira Miller	Moira Miller	19/05/2023
<i>Short Term Debtors (Note 22)</i>	69	Local Tax Collection Debtors - Production of working papers	Fergus Walker	Fergus Walker	08/05/23-12/05/23
<i>Short Term Debtors (Note 22)</i>	70	Sundry Debtor Accounts - Production of Working Papers	Fergus Walker	Jennifer Gorman	19/04/23 to 21/04/23
<i>Short Term Debtors (Note 22)</i>	71	Housing Benefit Overpayments - Production of Working Papers	Fergus Walker	Fergus Walker	11/04/23 to 17/04/23
<i>Short Term Debtors (Note 22)</i>	72	Check the Discretionary Housing Payment Subsidy from the Scottish Government	Fergus Walker	Fergus Walker	17/05/2023
<i>Short Term Debtors (Note 22)</i>	73	VAT Debtor - Production of Working Papers	Moira Miller	Sandra Coles	28/04/2023
<i>Short Term Debtors (Note 22)</i>	74	Net Debtor/Creditor to Scottish Government for NDR - Finalise Working Papers	Fergus Walker	Mary McCallum	15/05/2023
<i>Short Term Debtors (Note 22)</i>	75	Other Debtors - Provision of working papers from various departments	Moira Miller	Departments	15/05/23 to 19/05/23
<i>Short Term Debtors (Note 22)</i>	76	Finalise Lead Schedule and Working Papers	Moira Miller	Elizabeth Moller	22/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Short Term Debtors (Note 22)</i>	77	Debtors Note (22)	Moira Miller	Elizabeth Moller	22/05/2023
<i>Assets Held for Sale (Note 23)</i>	78	Complete Assets Held for Sale Note (23)	Morag Cupples	Linda Taylor	26/05/2023
<i>Assets Held for Sale (Note 23)</i>	79	Finalise Lead Schedule and Working Papers	Morag Cupples	Linda Taylor	26/05/2023
<i>Cash and Cash Equivalents (Note 24)</i>	80	Cash Held by the Authority (Imprests) - provide working papers	Sandra Coles	Graham Munro	24/04/23 to 28/04/23
<i>Cash and Cash Equivalents (Note 24)</i>	81	Cash in Transit - Working Papers	Moira Miller	Alison McGeachy	10/05/23 to 12/05/23
<i>CC&E - Short Term Deposits</i>	82	Council Investments - reconciliation and working papers	Moira Miller	Sandra Coles	26/04/2023
<i>CC&E - Short Term Deposits</i>	83	BoS Corporate Deposit - working papers	Moira Miller	Sandra Coles	19/04/2023
<i>CC&E - Short Term Deposits</i>	84	CB Instant Access Account - working papers	Moira Miller	Sandra Coles	19/04/2023
<i>CC&E - Short Term Deposits</i>	85	Money Market Funds	Moira Miller	Sandra Coles	19/04/2023
<i>CC&E - Bank Overdraft Working Papers</i>	86	Income Bank Account - working papers	Moira Miller	Alison McGeachy	28/04/2023
<i>CC&E - Bank Overdraft Working Papers</i>	87	Expenditure Bank Account - working papers	Moira Miller	Creditors	28/04/2023
<i>CC&E - Bank Overdraft Working Papers</i>	88	Housing Benefits Bank Account - working papers	Moira Miller	Sharon Leitch	28/04/2023
<i>CC&E - Bank Overdraft Working Papers</i>	89	Council Tax / NDR Bank Account - working papers	Moira Miller	Alison McGeachy	28/04/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>CC&E - Bank Overdraft Working Papers</i>	90	Finalise Lead Schedule and Working Papers	Moira Miller	Sandra Coles	12/05/2023
<i>CC&E - Bank Overdraft Working Papers</i>	91	Complete Cash and Cash Equivalents Note (24)	Moira Miller	Sandra Coles	12/05/2023
<i>Creditors (Note 25)</i>	92	Accrued Payrolls - Pull overall figure together for Accrued Payrolls	Mary McCallum	Ailsa Laing / Duncan MacBrayne	28/04/2023
<i>Superannuation</i>	93	Teachers - Identification of year end balance on teachers superannuation control account as at 31 March 2021	Mary McCallum	Ailsa Laing	04/05/2023
<i>Superannuation</i>	94	Non-teachers - Identification of year end balance on non-teachers superannuation control account as at 31 March 2021	Mary McCallum	Ailsa Laing	05/05/2023
<i>Short Term Accumulating Absences</i>	95	Teachers - Provision of working papers for creditors	Mary McCallum	Mary McCallum	13/04/2023
<i>Short Term Accumulating Absences</i>	96	Non Teachers - Provision of working papers for creditors	Mary McCallum	Mary McCallum	13/04/2023
<i>Creditors Core Payables</i>	97	Creditors System Liability (Core Payables) - Working papers/discoverer report	Mary McCallum	Duncan MacBrayne	31/03/2023
<i>Accruals/Deferred Income</i>	98	Accrued Expenditure/deferred income - Pull summary sheet together with links to templates to help auditors choose sample	Mary McCallum	Margaret Ellis	28/04/2023
<i>Other Creditors</i>	99	Other Creditors - various Departmental Support (coordination of working papers)	Mary McCallum	Mary McCallum	03/05/23 to 05/05/23
<i>Other Creditors</i>	100	Finalise Lead Schedule and working Papers	Mary McCallum	Mary McCallum	08/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Other Creditors</i>	101	Complete Creditors Note (25)	Mary McCallum	Mary McCallum	08/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	102	Completion of Borrowings/Financial Instruments Working Papers	Moira Miller	Moira Miller	26/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	103	Financial Instruments - Types - Note 26.1	Moira Miller	Moira Miller	26/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	104	Financial Instruments - Fair Value - Note 26.2	Moira Miller	Moira Miller	26/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	105	Financial Instruments - Gains and Losses - Note 26.3	Moira Miller	Moira Miller	26/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	106	Financial Instruments - Risks - Note 26.4 to 26.9	Moira Miller	Moira Miller	26/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	107	Financial Instruments - Note 26.10 to 26.11	Moira Miller	Moira Miller	26/05/2023
<i>Borrowings (Financial Instruments) - Note 26</i>	108	Borrowings/Financial Instruments - Complete Accounts	Moira Miller	Moira Miller	26/05/2023
<i>Other Liabilities (Note 27)</i>	109	Finance Lease Liability	Sandra/Anne Blue	Moira Miller	26/05/2023
<i>Other Liabilities (Note 27)</i>	110	Schools NPDO/Hub Schools Finance Lease Liability	Margaret Moncur	Moira Miller	28/04/2023
<i>Other Liabilities (Note 27)</i>	111	Waste PPP Land Contamination - Provision of working paper, same as long term debtor.	Moira Miller	Sandra Coles	17/04/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Other Liabilities (Note 27)</i>	112	Finalise Lead Schedule and Working Papers	Moira Miller	Sandra Coles	28/04/2023
<i>Other Liabilities (Note 27)</i>	113	Complete Other Liabilities Note (27)	Moira Miller	Sandra Coles	28/04/2023
<i>Other Liabilities (Note 27)</i>	114	Equal Pay Claims - Contact HR for information	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	01/03/2023
<i>Other Liabilities (Note 27)</i>	115	Equal Pay Claims - Calculate provision and provide working papers. Ensure we contact HR early for information	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/23 to 05/05/23
<i>Other Liabilities (Note 27)</i>	116	Registered Social Landlords - Calculate provision and provide working papers	Fergus Walker	Fergus Walker	03/05/23 to 05/05/23
<i>Other Liabilities (Note 27)</i>	117	Reorganisation Redundancy Costs - Calculate provision and provide working papers	Mary McCallum	Mary McCallum	03/05/23 to 05/05/23
<i>Other Liabilities (Note 27)</i>	118	Landfill Sites - Restoration and Aftercare Costs - Calculate provision and provide working papers	Moira Miller	Moira Miller	03/05/23 to 05/05/23
<i>Other Liabilities (Note 27)</i>	119	Utilities Provision - Calculate provision and provide working papers	Sharon Macalister	Liza McNaughton	03/05/23 to 05/05/23
<i>Other Liabilities (Note 27)</i>	120	Other Provisions - Coordinate calculation of 'other' provisions and obtain working papers	Morag Cupples	Morag Cupples	03/05/23 to 05/05/23
<i>Other Liabilities (Note 27)</i>	121	Split Provisions between short and long term	Morag Cupples	Morag Cupples	22/05/2023
<i>Other Liabilities (Note 27)</i>	122	Provisions Note (28) - check narrative	Morag Cupples	Morag Cupples	22/05/2023
<i>Other Liabilities (Note 27)</i>	123	Finalise Lead Schedule and Working Papers	Morag Cupples	Morag Cupples	22/05/2023
<i>Capital Grants Received in Advance (Note 29)</i>	124	Ministry of Defence LIBOR Funding	Morag Cupples	Morag Cupples	

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Capital Grants Received in Advance (Note 29)</i>	125	Grant in Aid - Gaelic School Capital Fund	Morag Cupples	Morag Cupples	
<i>Capital Grants Received in Advance (Note 29)</i>	126	Finalise Lead Schedule and Working Papers	Morag Cupples	Morag Cupples	22/05/2023
<i>Capital Grants Received in Advance (Note 29)</i>	127	Complete Capital Grants Received in Advance Note (29)	Morag Cupples	Morag Cupples	22/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	128	Calculation of Accrued Pension Contribution (30.1)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	129	Transactions Relating to Retirement Benefits (30.2)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	130	Assets and Liabilities in Relation to Post Employment Benefits (30.3)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	131	Pension Assets and Liabilities Recognised in the Balance Sheet (30.4)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	132	Analysis of Pension Fund Assets (30.5)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	133	Basis for Estimating Assets and Liabilities (30.6)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	134	Asset and Liability Matching Strategy (30.7)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	135	Impact on Authority's Cash Flow (30.8)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	136	Teachers' Pensions - Amount Paid Over (30.9)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	137	Teachers' Pensions - Check Contribution Rate (30.9)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023
<i>Pension Assets and Liabilities (Note 30)</i>	138	Teachers' Pensions - Added Years awarded by Council Calculation (30.9)	Lorna Semple/Elizabeth Moller	Lorna Semple/Elizabeth Moller	03/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Pension Assets and Liabilities (Note 30)</i>	139	Balance Sheet Notes Complete	Morag Cupples	Morag Cupples	26/05/2023
6. Other Notes to the Financial Statements	140	Note 1 - Review and amend accounting policies	Morag Cupples	Morag Cupples	24/02/2023
<i>6. Other Notes to the Financial Statements</i>	141	Note 2 - Accounting Standards Issued but Not Yet Adopted	Morag Cupples	Morag Cupples	24/02/2023
<i>6. Other Notes to the Financial Statements</i>	142	Note 3 - Critical Judgements in Applying Accounting Policies	Morag Cupples	Morag Cupples	05/05/2023
<i>6. Other Notes to the Financial Statements</i>	143	Note 4 - Assumptions / Estimation Uncertainty	Morag Cupples	Morag Cupples	15/05/2023
<i>6. Other Notes to the Financial Statements</i>	144	Note 34 - Contingent Liabilities (consider alongside provisions)	Morag Cupples	Morag Cupples	05/05/2023
<i>6. Other Notes to the Financial Statements</i>	145	Note 35 - Termination Benefits (consider alongside Exit Packages)	Mary McCallum	Mary McCallum	05/05/2023
<i>6. Other Notes to the Financial Statements</i>	146	Note 36 - Trust Funds and Other Third Party Funds (Part of preparing accounts for charities and other trusts)	Mary McCallum	Morag Cupples	05/05/2023
<i>6. Other Notes to the Financial Statements</i>	147	Note 37 - Common Good Funds (Prepare Accounts for Common Good Funds and collate information for Oban and Campbeltown Funds)	Mary McCallum	Morag Cupples	05/05/2023
<i>6. Other Notes to the Financial Statements</i>	148	Note 38 - Tax Incremental Financing (TIF) Projects - Links to NDR Income Account	Moira Miller/Fergus Walker	Moira Miller	19/05/2023
7. Statement of Movement in Reserves - General Fund Balance	149	Analysis of General Fund Balance Movement	Moira Miller	Moira Miller	19/05/2023
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	150	Analysis of amounts included in CI&E but excluded from General Fund	Moira Miller	Moira Miller	19/05/2023
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	151	Analysis of amounts included in General Fund but excluded from CI&E	Moira Miller	Moira Miller	19/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	152	Transfer to from General Fund Balance	Moira Miller	Moira Miller	19/05/2023
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	153	Breakdown of amounts additional to surplus/deficit on CI&E	Moira Miller	Moira Miller	19/05/2023
<i>Other Usable Reserves (Note 33)</i>	154	Usable Capital Receipts Reserve	Moira Miller	Sandra Coles	05/05/2023
<i>Other Usable Reserves (Note 33)</i>	155	Capital Fund	Moira Miller	Sandra Coles	05/05/2023
<i>Other Usable Reserves (Note 33)</i>	156	Complete Capital Funds Note (33.1)	Moira Miller	Sandra Coles	05/05/2023
<i>Other Usable Reserves (Note 33)</i>	157	Completion of Education R&R Fund Entries and Working Papers	Sharon Macalister	Gill Allenby/Sandra McLindon	28/04/2023
<i>Other Usable Reserves (Note 33)</i>	158	Process Ledger entries through MiR Statement	Sharon Macalister	Gill Allenby/Sandra McLindon	28/04/2023
<i>Other Usable Reserves (Note 33)</i>	159	Complete Repairs and Renewals Note (33.2)	Sharon Macalister	Gill Allenby/Sandra McLindon	28/04/2023
<i>Unusable Reserves (Note 32)</i>	160	Revaluation Reserve - Check Narrative	Moira Miller	Moira Miller	05/05/2023
<i>Unusable Reserves (Note 32)</i>	161	Capital Adjustment Account - Check Narrative	Moira Miller	Moira Miller	05/05/2023
<i>Unusable Reserves (Note 32)</i>	162	Financial Instruments Adjustment Account - Check Narrative	Moira Miller	Moira Miller	05/05/2023
<i>Unusable Reserves (Note 32)</i>	163	Pensions Reserve - Check Narrative	Morag Cupples	Morag Cupples	12/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>Unusable Reserves (Note 32)</i>	164	Accumulated Absences Account - Check Narrative	Morag Cupples	Morag Cupples	12/05/2023
<i>Unusable Reserves (Note 32)</i>	165	Statement of Movement in Reserves Complete	Moira Miller	Moira Miller	12/05/2023
8. Cash Flow Statement - Analysis of Balance Sheet Movements	166	Revaluation Reserve	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	167	Capital Adjustment Account	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	168	Capital Activities Cash/Non Cash Transactions	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	169	Other Revenue Items not involving the movement of funds	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	170	Accrual Adjustments	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	171	Complete Operating Activities (Note 39)	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	172	Complete Operating Activities Section of Statement	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>Other Cash Flow Activities</i>	173	Investing Activities (Note 40)	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>Other Cash Flow Activities</i>	174	Financing Activities (Note 41)	Moira Miller	Moira Miller	29/05/23 to 02/06/23
<i>Other Cash Flow Activities</i>	175	Cash Flow Statement Complete	Moira Miller	Moira Miller	02/06/2023
9. Council Tax Income Account	176	Prepare CTI Main Accounting Statement	Fergus Walker	Fergus Walker	08/05/23-12/05/23
<i>9. Council Tax Income Account</i>	177	Prepare and complete Calculation of Council Tax Base note	Fergus Walker	Fergus Walker	12/05/2023

Appendix 1 - Final Accounts Preparation Plan and Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2021-22	Undertaking Task 2021-22	Completion Date 2022-23
<i>9. Council Tax Income Account</i>	178	Council Tax Income Account Complete	Fergus Walker	Fergus Walker	12/05/2023
10. NDR Income Account	179	NDR Main Accounting Statement	Fergus Walker	Fergus Walker	12/05/2023
<i>10. NDR Income Account</i>	180	Analysis of Rateable Values	Fergus Walker	Fergus Walker	12/05/2023
<i>10. NDR Income Account</i>	181	NDR Charge	Fergus Walker	Fergus Walker	12/05/2023
<i>10. NDR Income Account</i>	182	NDR Income Account Complete	Fergus Walker	Fergus Walker	12/05/2023

YEAR END 2022/2023

Appendix 2 - Schedule for Payroll, Overtime and Travel accruals

PAYRUN	MTH NO	PROCESSING DATE	PAY DATE	PERIOD ENDING	PAYROLL COSTS % ACCRUED/PREPAID	OVERTIME COSTS % ACCRUED	TIMESHEETS TO PAYROLL BY:	**TRAVEL CLAIMS TO CREDITORS BY:	TRAVEL & SUBSISTENCE % ACCRUED	Additional Notes
Pay 07 Monthly	01	06/04/2023	14/04/2023	15/04/2023	16/31sts accrued	100% accrued	05/04/2023	24/03/2023	100% accrued	Old Year Claims Only
Pay 10 Teachers	01	21/04/2023	29/04/2023	30/04/2023	100% part time hours for this period - See note *	N/A	20/04/2023	14/04/2023	100% accrued	Old Year Claims Only
Pay 10 Teachers	02	19/05/2023	29/05/2023	31/05/2023	See note *	N/A	18/05/2023	05/05/2023	N/A	N/A

Notes

* Pay 10 Teachers Month 01: Part time Teachers hours and enhancements relating to March will be 100% accrued.

** This relates to manual travel claims, not those through "my view" for which separate deadlines have been set by payroll.

* Pay 10 - Month 02 accrual will be done by the Financial Services Accounting and Budgeting - Education Departmental Team. Due to timing of Month 01 period end date, it's unlikely there will be many March hours requiring accrual.

Appendix 3 - Health and Social Care Partnership Timetable

Work Area	Task Nbr	Task Description	2022/23 Dates	Lead Responsibility	Monitored / Actioned By	Comments
1. Stores & Work in Progress	1.1	Equipment store stock take to be completed	31/03/2023	Equipment Store Manager	Elizabeth	Abbie to liaise with equipment store manager
	1.2	Cut off date for submission of stock certificate and detailed working papers to IS Finance Team	07/04/2023	Equipment Store Manager	Elizabeth	Abbie to liaise with equipment store manager
	1.3	Cut off date for checking, signing and submission of stock certificates to Corporate Accounting	14/04/2023	Principal Accountant - Social Work	Elizabeth and Lorna	Check and agree stock certificate
	1.4	Calculate net movement in the value of equipment owned by the SW Equipment Store and provide to Principal Accountant - Social Work	14/04/2023	Principal Accountant - Social Work	Elizabeth and Lorna	Calculate the movement in the stock value and supply to Linda Taylor
2. Creditors Payments	2.1	Cut off date for submission of 2022/23 supplier invoices to creditors	24/03/2023	Department	Elizabeth and Lorna	E-mail to areas to remind them about deadline
	2.2	Cut off date for processing of 2022/23 SW supplier invoices through payables	30/03/2023	Creditors Section	Creditors	Malcolm to let Lorna know when all SW batches are processed
	2.3	Final cheque run processed involving SW invoices	30/03/2023	Creditors Section	Creditors	Malcom to let Lorna know when payrun is posted to general ledger
3. Revenue Accruals	3.1	Accrued/Prepaid expenditure templates issued to department	01/02/2023	Finance Support Team	Astrid	
	3.2	IS Finance Team issue accrual/prepayment calculation templates to department	06/03/2023	SW Finance Team	Elizabeth and Lorna	
	3.3	Department completes accrued/prepaid expenditure template	31/03/2023-11/04/2023	Department	Finance Contacts	Provide support to admin and budget holders as necessary, monitor progress. Evidence only required for charges of £5k or more.
	3.4	Accrued/prepaid expenditure template submitted to IS Finance Team for checking and consolidation	11/04/2023 - 5pm	Department	Alistair, Alison and Karen	Make sure that all of the area service's templates have been returned
	3.5	Cut off date for checking and consolidation of accrued/prepaid expenditure templates for SW	14/04/2023 - 3pm	SW Finance Team	Elizabeth and Lorna	Review templates and backup
4. PECOS	4.1	Issue SW PECOS reports to finance contacts for review and follow-up on queries with budget holders.	14/03/2023	SW Finance Team	Elizabeth	Request report from PECOS Administrator. Issue with other year end documents and guidance
	4.2	Mismatches to be cleared from PECOS system	29/03/2023	Department	Alistair, Karen and Alison	Monitor progress of requisitioners
	4.3	Unpaid PECOS orders report to be issued to IS Finance Team for inclusion on accruals template	04/04/2023	Finance Support Team	Astrid	
	4.4	PECOS accruals to be added to central template	14/04/2023 - 3pm	SW Finance Team	Alistair	

Work Area	Task Nbr	Task Description	2022/23 Dates	Lead Responsibility	Monitored / Actioned By	Comments
5. Debtors	5.1	Cut off date for processing debtors invoices in 2022/23	29/03/2023	Department	Elizabeth and Lorna	Include in year end instructions and issue reminder e-mail. Alistair and Alison to prepare year end recharges to NHS
	5.2	Cut off date for preparing residential and non-residential care debtors accruals	14/04/2023 - 3pm	SW Finance Team	Moira and Alison	
	5.3	Calculate adjustment to bad debt provision	14/04/2023	Debtors Team	Corporate	Should be completed by F Walker / D Forshaw - check to ensure that correct split between Council and IJB is in place for debt before and after 01/04/2016.
6. Payroll	6.1	Payroll 07 accrual prepared	19/04/2023	Finance Support Team	Lorna	Astrid to let Lorna know when completed
7. CareFirst	7.1	Cut off for processing of charges to be charged to 2022/23	29/03/2023	Department	Elizabeth and Lorna	Instruction in year end guidance and e-mail reminder.
	7.2	Final payables interface generated from CareFirst	30/03/2023	SW Finance Team	Karen	
	7.3	Snapshot of outstanding transactions taken from CareFirst	30/03/2023	SW Finance Team	Karen	Run year end reports for homecare, residential care, direct payments, fostering and adoption
	7.4	Recommence processing of invoices via CareFirst - all to be charged to April 2023/24 with year end adjustments processed via accrued/prepaid expenditure templates	04/04/2023	Department / Creditors	Karen	Instruction in year end guidance and e-mail reminder
8. Long Term Debt - Charging Orders	8.1	Prepare charging order journal entries and agree with Corporate Team	14/04/2023	SW Finance Team	Lorna	
9. TOTAL System Charges	9.1	Check that TRANMAN interface has been run for SW vehicles.	21/04/2023	Fleet Team	Tranman	To be confirmed with Cara/Tranman when run has been processed
10. Consolidation	10.1	Take snapshot of general ledger following payrun including last of the SW supplier invoices being processed into 2022/23	03/04/2023	SW Finance Team	Lorna and Elizabeth	
	10.2	Create consolidation template to produce outturn	03/04/2023	SW Finance Team	Lorna	
	10.3	Report outturn position to James and Kirsty	24/04/2023	SW Finance Team	Lorna	Pass figure to James Gow, IJB CFO

ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****16 MARCH 2023**

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

1. EXECUTIVE SUMMARY

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Strategy to be approved by Council for the forthcoming financial year. This report seeks Member's endorsement of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also sets out the policy for the repayment of loans fund advances for 2023-24.
- 1.2 If the Audit and Scrutiny Committee identify any recommendations in relation to the strategy these will be presented to full Council on 27 April 2023.
- 1.3 The Council uses Link Group Treasury Solutions as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.
- 1.4 Section 2 of the attached document outlines the Council's Capital Prudential and Treasury Indicators which Members are asked to endorse.
- 1.5 In 2016 new regulations were enacted by the Scottish Parliament, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, under which the Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year as detailed in section 2.6 of the strategy. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.
- 1.6 A review of the Council's loan fund advance repayments was undertaken in 2019-20 with advice from our external treasury management advisors. The review was undertaken to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.
- 1.7 The review considered new loans fund advances and historic loans fund advances to assess whether the repayment methodology was still the most prudent option. In doing so a revised policy on loans fund advance repayment profiling was introduced as follows:

For all new loans fund advances the policy for repayment is:

- **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
- **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream using a 5.1% annuity rate. This would be utilised where the asset will generate income which can be used to repay the debt or as a result of spend to save schemes where again the savings can be used to repay the loans fund advances.

- 1.8 During 2022-23 a decision was taken to repay three of our loans early to take advantage of a discount which was on offer. This has provided the Council with a one-off gain of £5.397m which will be transferred to the General Fund and can assist with budget pressures.
- 1.9 Section 3 of the document outlines the current actual external debt against the capital financing requirement highlighting any over or under borrowing. There is information on the interest rates projections and the borrowing strategy.
- 1.10 Section 4 of the document outlines the annual investment strategy. The Council's investment priorities will be security first, liquidity second and then return. It explains the creditworthiness policy and the use of Link Group Treasury Solutions in this respect as well as the Country and Sector limits.
- 1.11 There are a number of appendices in Section 5. Some of this information has been provided by the Council's external treasury management advisors.

2. RECOMMENDATIONS

- 2.1 Members are requested to:
- a) Endorse the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within.
 - b) Note the continued use of the asset life method for the repayment of loan fund advances using a 5.1% annuity interest rate, with the exception of spend to save schemes where the funding/income profile method could be used.
 - c) Note the proposed asset repayment periods as detailed within section 2.7 of the Treasury Management Strategy Statement.
 - d) Note the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by the Council's external treasury management advisors.

3. IMPLICATIONS

- 3.1 Policy – Sets the policy for borrowing and investment decisions.
- 3.2 Financial – An effective Treasury Management Strategy forms a significant part of the Council's financial arrangements and its financial well-being.

- 3.3 Legal - None.
- 3.4 HR - None.
- 3.5 Fairer Scotland Duty – None.
 - 3.5.1 Equalities – None.
 - 3.5.2 Socio-Economic Duty – None.
 - 3.5.3 Islands Duty – None.
- 3.6 Climate Change – None.
- 3.7 Risk - This report does not require any specific risk issues to be addressed, however members will be aware that the management of risk is an integral part of the Council's treasury management activities.
- 3.8 Customer Service - None.

Kirsty Flanagan
Executive Director/Section 95 Officer
9 February 2023

Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney

APPENDICES

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2023-24

For further information please contact:
Anne Blue, Head of Financial Services 01586-555269



**Treasury Management Strategy Statement
and Annual Investment Strategy 2023-2024**

1 INDEX

1 INTRODUCTION	3
1.1 Background.....	6
1.2 Treasury Management Reporting	6
1.3 Treasury Management Strategy for 2023/24.....	7
1.4 Training	8
1.5 Treasury management advisors	8
2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26.....	9
2.1 Capital Expenditure and Financing	9
2.2 The Council's Overall Borrowing Need (the Capital Financing Requirement)	10
2.3 Liability Benchmark.....	10
2.4 Core funds and expected investment balances	10
2.5 Limits to Borrowing Activity.....	12
2.6 Statutory repayment of loans fund advances	13
2.7 Asset Repayment Periods.....	13
3 TREASURY MANAGEMENT STRATEGY	14
3.1 Current portfolio position.....	14
3.2 Prospects for interest rates.....	16
3.3 Investment and borrowing rates.....	17
3.4 Borrowing strategy	17
3.5 Policy on borrowing in advance of need	18
3.6 Debt rescheduling.....	18
3.7 New financial institutions as a source of borrowing and/or types of borrowing	19
3.7 Approved sources of long and short term borrowing	19
4 ANNUAL INVESTMENT STRATEGY.....	20
4.1 Investment policy	20
4.2 Creditworthiness policy.....	21
4.3 Country and sector limits	21
4.4 Investment strategy	21
4.5 Investment risk benchmarking	23
4.6 End of year Investment Report	23
4.7 Policy on environmental, social and governance (E.S.G.).....	23
5 APPENDICES	24
Appendix 1 – Capital Prudential and Treasury Indicators 2023/24 – 2025/26.....	24
Appendix 2 – Detailed Current Portfolio Position.....	27
Appendix 3 – Interest Rate Forecasts 2023 - 2026 and Commentary	28
Appendix 4 – Economic Background Provided by Link Treasury Services (at 08.12.22).....	29
Appendix 5 - Treasury Management Practice (TMP1) Permitted Investments.....	32
Appendix 6 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management.....	41
Appendix 7 – Creditworthiness policy	47
Appendix 8 – Approved Countries for Investments (at 08.12.22).....	49
Appendix 9 – Treasury Management Scheme of Delegation.....	50
Appendix 10 – The Treasury Management Role of the Section 95 Officer.....	51
Appendix 11 - Policy on environmental, social and governance (E.S.G)	53

1 INTRODUCTION (Key Considerations)

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Treasury Management Code will require an authority to implement the following: -

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly**. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations

from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

The main requirements of the Prudential Code relating to service and commercial investments are: -

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

An authority's Annual Investment Strategy should include: -

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);
6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Treasury Management reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

An **Annual Treasury Management Strategy Statement** (this report) – this is the first and most important report which is submitted to full Council before the start of the financial year. The Council approve this Strategy in February, after which the Audit and Scrutiny Committee have an opportunity to make comments and recommendations. If required the Strategy would then go back to Council in April to approve any amendments recommended by the Audit and Scrutiny Committee. The Strategy covers:

- The capital plans (including prudential indicators);
- A policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An Annual Investment strategy (the parameters on how investments are to be managed).

A mid-year Treasury Management Review Report - this will update Members with the progress on the capital position, amending prudential indicators as necessary and whether any policies require revision. Monitoring reports are submitted to each Policy and Resources Committee.

An Annual Treasury Report – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This report is presented to Council after the end of each financial year.

Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The capital strategy was initially reported to members on 14 October 2021 and the decision taken that an updated strategy be presented to members in the early life of the new Council in 2022. During 2022 elected members were asked to set their priorities for the capital programme and an amended capital strategy has been prepared and will now go forward to full Council for approval.

1.3 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators.
- the policy for statutory repayment of loans fund advances

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund repayment regulations and investment regulations, particularly Finance Circulars 5/2010 and 7/2016.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny (Audit and Scutiny Committee).

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained.

1.5 Treasury management consultants

The Council uses Link Treasury Services as its external treasury management consultants.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the 2023/24 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2023-26.

Capital Expenditure £'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Executive Director - Douglas Hendry					
Education	7,798	7,155	6,970	2,226	2,219
Facility Services - Shared Offices	819	2,929	2,492	428	427
Major Projects/CHORD	11,598	4,558	1,351	0	0
Executive Director - Kirsty Flanagan					
ICT	1,538	1,289	1,258	771	768
Roads and Infrastructure	18,209	25,436	46,349	33,028	34,514
Development and Economic Growth	2,690	4,282	1,274	0	0
Live Argyll	324	560	1,106	428	427
Health and Social Care Partnership	0	628	1,920	428	427
Total	42,976	46,837	62,720	37,309	38,782

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing them. Any shortfall of resources results in a funding borrowing need. (The financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.)

Capital Expenditure £'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Total Capital Expenditure	42,976	46,837	62,720	37,309	38,782
Financed by:					
Capital Receipts	835	500	1,195	350	400
Capital Grants	21,700	17,180	16,822	9,277	9,129
Capital Reserves	0	0	0	0	0
Revenue	735	21,402	1,593	1,331	0
Net Financing need for the year	19,706	7,755	43,110	26,351	29,253

2.2 The Council's Overall Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made, called the Loan Fund Principal Repayment, which reflects the useful life of capital assets financed by borrowing. This charge reduces the CFR each year. From 1 April 2016, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £116.7m of such schemes within the CFR.

The CFR projections are noted in the following table.

	2021/22	2022/23	2023/24	2024/25	2025/26
£'000	Actual	Estimate	Estimate	Estimate	Estimate
Capital Financing Requirement					
Opening CFR	294,752	307,100	304,498	372,359	386,984
Closing CFR	307,100	304,498	372,359	386,984	403,919
Movement in CFR	12,348	(2,602)	67,861	14,625	16,935
Movement in CFR represented by					
	2021/22	2022/23	2023/24	2024/25	2025/26
£'000	Actual	Estimate	Estimate	Estimate	Estimate
Net financing need for the year (above)	19,706	7,755	43,110	26,351	29,253
Service Concessions Adjustment			36,038	0	0
Less scheduled debt Amortisation	7,358	10,357	11,287	11,726	12,318
Movement in CFR	12,348	(2,602)	67,861	14,625	16,935

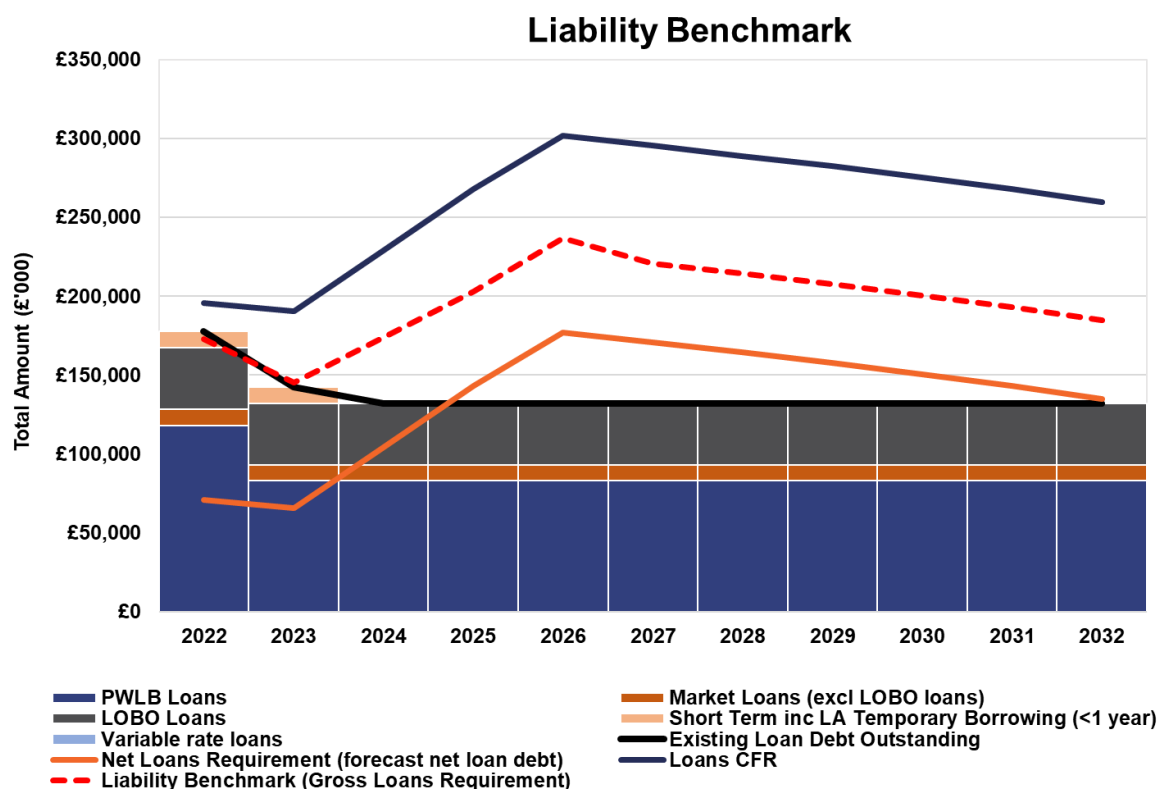
2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- 1 **Existing loan debt outstanding:** the Authority’s existing loans that are still outstanding in future years.
- 2 **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments.
- 3 **Net loans requirement:** this will show the Authority’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
- 4 **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The graph below shows the four components for the Council:



2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Expected Investments	102,228	80,000	70,000	50,000	50,000

2.5 Limits to Borrowing Activity

The operational boundary: This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £'m	2021/22 Actual	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	188	190	263	278	300
Other long term liabilities	119	115	109	110	105
Total	307	305	372	388	405

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- a) The authorised limits for external debt for the current year and two subsequent years are the legislative limits determined under Regulation 6(1) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.
- b) The Council is asked to approve the following authorised limit:

Authorised Limit £'m	2021/22 Actual	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	193	195	268	283	305
Other long term liabilities	122	118	112	113	108
Total	315	313	380	396	413

2.6 Statutory repayment of loans fund advances

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to Councils so long as a prudent provision is made each year. A review of the Council's loan fund advances was undertaken during 2019-20 to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

For all new loans fund advances the policy for the repayment is:-

1. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

The annuity rate applied to current loans fund repayments is based on historic interest rates over a 15 year period ensuring that a prudent rate is used. The current rate is 3.41%, however it is still considered prudent to use the average historic rate at this time.

2.7 Asset Repayment Periods

Using the asset life method, the Council is required to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The table below details the repayment period that applies for each asset type.

Asset Type	Repayment Period (Years)
Land (including cemeteries)	100
Road Structures - Bridges, Retaining Walls, Sea Walls, Flood Defences	60
Piers and Harbours - Major Structural Work	60
Piers and Harbours - Medium Term Works e.g painting/cathodic protection	20
Piers and Harbours - Limited Lifespan Improvements	10
Roads and Footways	20
Street Lighting	30
Vehicles & Plant	7
IT Equipment	5
Major Regeneration Works (Public Realm etc)	60
New Builds including Schools	60
Buildings - Electrical	40
Buildings - Plant	20
Buildings - Roofing	35
Buildings - Windows & External Doors	20
Buildings - Structural	25

3 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2022 and at 31 December 2022 are shown below for both borrowing and investments.

A more detailed analysis of the above table showing actual investments placed with individual counterparties can be found in Appendix 2.

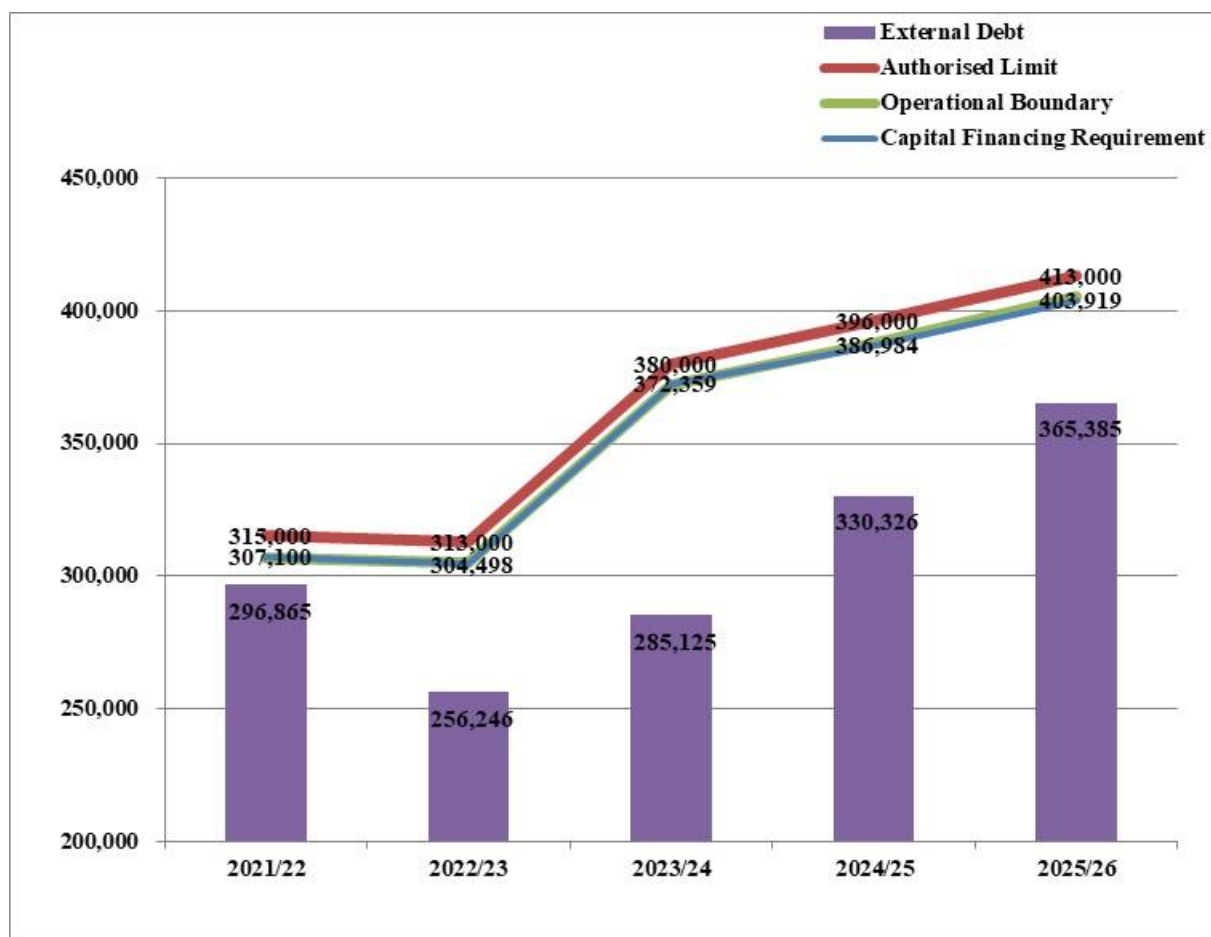
TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.22	31.3.22	31.12.22	31.12.22
	£000	%	£000	%
Treasury investments				
Banks	70,117	63%	51,921	50%
Building Societies - rated	0	0%	0	0%
Local Authorities	17,500	16%	42,500	41%
Money Market Funds	19,600	18%	4,700	5%
Certificates of Deposit	0	0%	0	0%
Third Party Loans	3,789	3%	3,694	4%
Total managed in house	111,006	100%	102,815	100%
Bond Funds	0	0%	0	0%
Property Funds	0	0%	0	0%
Total managed externally	0	0%	0	0%
Total Treasury Investments	111,006	100%	102,815	100%
Treasury external borrowing				
PWLB	118,145	66%	84,273	58%
LOBOs	39,255	22%	39,255	27%
Market	10,000	6%	10,000	7%
Special	10	0%	8	0%
Temporary Borrowing	10,500	6%	10,540	7%
Local Bonds	24	0%	18	0%
Total External Borrowing	177,934	100%	144,094	100%
Net Treasury Investments / (Borrowing)	(66,928)		(41,279)	

The Council's forward projections for borrowing, are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Debt as 1st April	168,805	177,934	142,158	176,154	221,135
Change in Debt (In Year)	9,129	(35,776)	33,996	44,981	39,997
Other long-term liabilities (OLTL) at 1st April	121,524	118,931	114,088	108,971	109,191
Change in OLTL (In Year)	(2,593)	(4,843)	(5,117)	220	(4,938)
Actual gross debt at 31st March	296,865	256,246	285,125	330,326	365,385
The Capital Financing Requirement	307,100	304,498	372,359	386,984	403,919
Under / (Over) borrowing	10,235	48,252	87,234	56,658	38,534

The figures in the above tables include an allowance for the introduction of IFRS16 – Leasing which is being introduced in the 24/25 financial year, having been deferred in December 2021. The change requires local authorities to account for leased assets previously treated as operating leases (off balance sheet) as finance leases (on balance sheet), which increases capital expenditure and the gross debt required to finance them. Work is underway to identify and evaluate the operating leases affected and, in the meantime, the figures used in the calculations above represent a high level estimate of the potential impact on the Council's Capital Financing Requirement.

The following graph shows the the CFR compared to the expected net debt in each of the years and the under / (over) borrowed position, also shown is the Council's authorised limit for debt and it's operational boundary (see paragraph 2.4 above).



Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken for revenue or speculative purposes.

The Section 95 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Prospects for interest rates

The Council has appointed Link Treasury Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 8th December 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the Monetary Policy Committee (MPC) will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

Link Treasury Services have also provided commentary in relation to interest rates and this is included within Appendix 3.

3.3 Investment and borrowing rates

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The current margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Borrowing for capital expenditure. Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates,

In 2022, there was a window of opportunity, due to the volatility of interest rates, to repay some of its borrowing early to take advantage of a discount on repayment. Rescheduling of remaining borrowing in our debt portfolio is not currently planned for in 2023/24. However, the Council may consider rescheduling debt if an opportunity arises and it is prudent to do so in terms of cash balances held and anticipated future interest rates. If rescheduling was done, it will be reported to the appropriate Committee at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short term Borrowing

A list of approved sources of long and short term borrowing is shown below:

On Balance Sheet	Fixed	Variable
PWLB	√	√
Municipal bond agency	√	√
Local authorities	√	√
Banks	√	√
Pension funds	√	√
Insurance companies	√	√
UK Infrastructure Bank	√	√
Market (long-term)	√	√
Market (temporary)	√	√
Market (LOBOs)	√	√
Stock issues	√	√
Local temporary	√	√
Local Bonds	√	
Local authority bills	√	√
Overdraft		√
Negotiable bonds	√	√
Internal (capital receipts & revenue balances)	√	√
Commercial paper	√	
Medium Term Notes	√	
Finance leases	√	√

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, ("the Code") and CIPFA Treasury Management Guidance Notes 2021.

The above regulations and guidance place a high priority on the management of risk. **The Council's investment priorities will be security first, liquidity second and then return.** This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of 'specified' and 'non-specified' investments. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
5. Transaction limits are set for each type of investment in Appendix 5.
6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
8. All investments will be denominated in **sterling**.
9. As a result of the change in accounting standards for 2021/22 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council applies the creditworthiness service provided by Link Treasury Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following further overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

Further explanation of the approach for creditworthiness used by Link Treasury Services is found in Appendix 7.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered) will be considered for investment purposes.

4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 8. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 24 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations

The current forecast shown in Appendix 3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows.:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Investment treasury indicator and limit

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	20	20	20
Current investments as at 31-12-22 in excess of 1 year maturing each year	5	5	0

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days).

4.5 Investment risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of SONIA (Sterling Overnight Interest Average). This benchmark will be used from 1st April 2022 and replaces 7 day LIBID.

4.6 End of year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7 Policy on environmental, social and governance (E.S.G.)

The Council's policy on environmental, social and governance (E.S.G) can be found in appendix 11.

5 APPENDICES

Appendix 1 – Capital Prudential and Treasury Indicators 2023/24 – 2025/26

1. Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2021/22	2022/23	2023/24	2024/25	2025/26
%	Actual	Estimate	Estimate	Estimate	Estimate
Ratio	5.24%	4.91%	4.37%	4.40%	4.43%

The estimates of financing costs include current commitments and the proposals in this budget report.

2. Maturity structure of borrowing

The purpose of this indicator is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if this is set to be too restrictive it will impair the opportunities to reduce costs/improve performance. The indicator is "Maturity structure of borrowing". These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits. The Council is asked to approve the following treasury indicator and limits

Maturity structure of fixed interest rate borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	40%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%
50 years and above	0%	100%

The interest rate exposure in respect of the Council's external debt will be monitored on an ongoing basis by keeping the proportion of variable interest rate debt at an appropriate level given the total amount of external debt and the interest rate environment within which the Council is operating. When interest rates

are increasing the Council will look to move to fixed rate borrowing and if interest rates are likely to fall then the level of variable rate borrowing will be increased to minimise future interest payments.

%	2022/23	2023/24	2024/25	2025/26
Interest rate exposure				
	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	195%	190%	190%	190%
Limits on variable interest rates based on net debt	60%	60%	60%	60%

Appendix 2 – Detailed Current Portfolio Position

TREASURY PORTFOLIO					
		Actual	Actual	Current	Current
		31.3.22	31.3.22	31.12.22	31.12.22
Treasury investments		£000	%	£000	%
Banks	Clydesdale Bank	5,117	5%	6,921	7%
	Bank of Scotland	0	0%	0	0%
	Goldman Sachs	10,000	9%	0	0%
	Qatar National Bank	5,000	5%	0	0%
	Commonwealth Bank of Australia	0	0%	0	0%
	Santander	5,000	5%	0	0%
	ANZ Banking Group/London	0	0%	10,000	10%
	Close Brothers	15,000	14%	2,500	2%
	First Abu Dhabi Bank	10,000	9%	15,000	15%
	AL Rayan Bank	10,000	9%	5,000	5%
	Toronto Dominion Bank	5,000	5%	5,000	5%
	National Bank of Kuwait	5,000	5%	7,500	7%
		70,117	63%	51,921	50%
Local Authorities	London Borough of Croydon	7,500	7%	5,000	5%
	Rotherham Metropolitan Borough Council	7,500	7%	0	0%
	Thurrock Borough Council	0	0%	10,000	10%
	Cheshire West & Chester Council	2,500	2%	2,500	2%
	Cambridgeshire County Council	0	0%	5,000	5%
	Spelthorn Borough Council	0	0%	5,000	5%
	Slough Borough Council	0	0%	10,000	10%
	Barnsley Metropolitan Borough Council	0	0%	5,000	5%
		17,500	16%	42,500	41%
DMADF (H.M.Treasury)		0	0%	0	0%
Money Market Funds	BNP Paribas Inticast Fund	10,000	9%	4,700	5%
	Federated	0	0%	0	0%
	CCLA	9,600	9%	0	0%
	AVIVA	0	0%	0	0%
		19,600	18%	4,700	5%
Third Party Loans	Argyll Community Housing Association	2,410	2%	2,344	2%
	Fyne Homes	0	0%	0	0%
	West Highland Housing Association Ltd	837	1%	814	1%
	The Port Ellen Station	50	0%	44	0%
	Hubco Sub Debt	492	0%	492	0%
		3,789	3%	3,694	4%
Total Treasury Investments		111,006	100%	102,815	100%

		Actual	Actual	Current	Current
		31.3.22	31.3.22	31.12.22	31.12.22
Treasury external borrowing					
Local Authorities		0	0%	0	0%
PWLB		118,145	66%	84,273	58%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	7%	13,000	9%
	FMS Wertmanagement	5,255	3%	5,255	4%
	Bayerische Landesbank	21,000	12%	21,000	15%
		39,255	22%	39,255	27%
Market	Barclays (formerly LOBO)	10,000	6%	10,000	7%
		10,000	6%	10,000	7%
Special	Prudential assurance co	10	0%	8	0%
		10	0%	8	0%
Temporary Borrowing		10,500	6%	10,540	7%
Local Bonds		24	0%	18	0%
Total External Borrowing		177,934	100%	144,094	100%
Net Treasury Investments / (Borrowing)		(66,928)		(41,279)	

Appendix 3 – Interest Rate Forecasts 2023 - 2025 and Commentary Provided by Link Treasury Services (08.12.22)

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

Appendix 4 – Economic Background Provided by Link Treasury Services (at 08.12.22)

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%/y/y)	+0.2%q/q Q3 (2.1%/y/y)	2.6% Q3 Annualised
Inflation	11.1%/y/y (Oct)	10.0%/y/y (Nov)	7.7%/y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

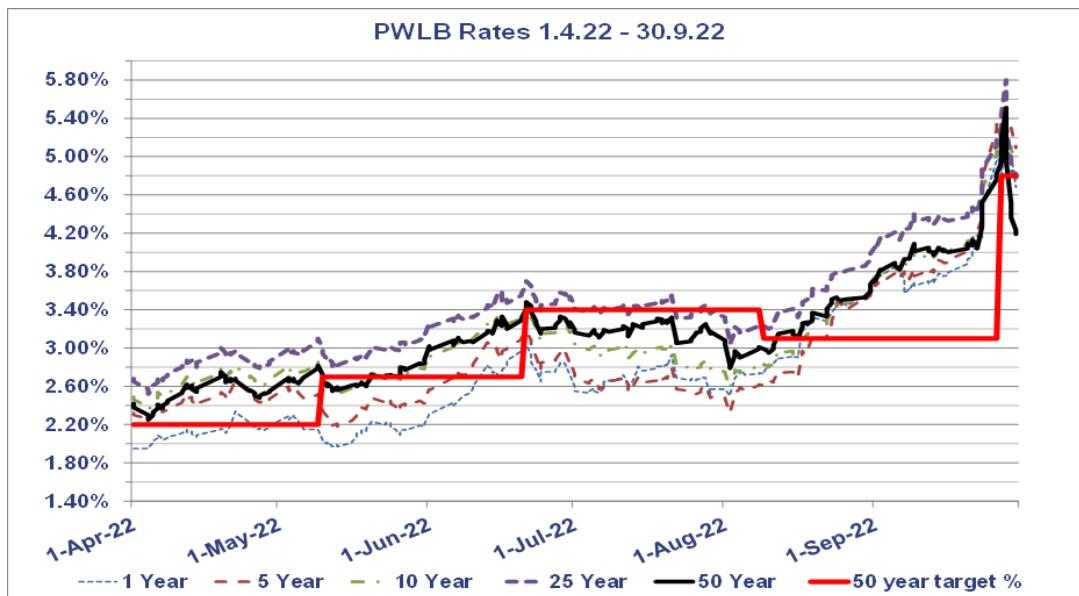
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 5 - Treasury Management Practice (TMP1) Permitted Investments

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1.

Treasury risks

All the investment instruments in table 1 are subject to the following risks: -

- **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.
- **Liquidity risk:** this is the risk that cash will not be available when needed. Whilst it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: -
 - a. Cash may not be available until a settlement date up to three days after the sale
 - b. There is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

The column in table 1 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

- **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.
- **Interest rate risk:** this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for the following forms of instrument which are at variable rate of interest (and the linkage for variations is also shown).
- **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

- **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.
- **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.
- **Market risk:** this authority purchases Certificates of Deposit (CD's), as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may vary from the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.
- **Interest rate risk:** this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.

Legal and regulatory risk: this authority will not undertake any form of investing until it has ensured that it has all necessary powers and complied with all regulations.

Unlimited investments

Regulation 24 states that an investment can be shown in table 1 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category: -

- **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.
- **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £20m of the total portfolio can be placed with UK banks and £15m in any single non UK bank institution or group at any one time.

Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

Deposits

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.
- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £20m of the total portfolio can be placed with any UK bank and £15m with any single non UK bank institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.
- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for term deposits above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.
- **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

- **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for term deposits in the previous section, but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers that this indicates a low and acceptable level of residual risk.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

- **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

Money Market Funds (MMFs). MMFs are regulated under The European Money Market Fund Regulation (EU) 2017/1131. The Regulation was implemented in full on 21 March 2019. They typically carry a AAA money fund rating and can be priced using the following methods. Constant Net Asset Value (CNAV), Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV). The majority of MMFs are priced using the LVNAV pricing method, which allows for constant pricing in normal market conditions. They are highly diversified, using many forms of money market securities including types which this authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and competitive rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as they are actively managed giving the opportunity to lock in investments earning higher rates of interest than might be available in the market. MMFs also help an authority to diversify its own portfolio as e.g., a £2m investment placed directly with HSBC is a 100%

- risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with

risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still delivering superior rates of return available through the DMADF.

Ultra short dated bond funds. Ultra short dated bond funds. These funds are similar to MMFs and can carry a AAA bond fund rating. Due to the longer dated nature of the assets they invest in the funds use a VNAV pricing method meaning the price will move up and down inline with market movements. They aim to achieve a higher yield and to do this either take longer term credit risk by using floating rate notes or by investing in longer durations, which means their assets are more volatile. Typically, these funds can have weighted average maturities of up to 360 days and weighted average life's beyond 5 years. Their primary objective is to firstly generate a competitive total return, whilst preserving capital. They therefore carry a higher level of risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

- **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.
- **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills.

- **Treasury bills.** These are short-term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.
- **Gilts.** These are longer-term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.
- **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

- **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.
- **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

- a. **Certificates of deposit (CDs).** These are shorter-term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.
- b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.
- c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.
- d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

OTHER

Property fund. This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

Table 1: permitted investments in house

This table is for use by the in house treasury management team.

1.1 Deposits

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	term	no	100	6 months
Term deposits – local authorities	--	term	no	100	2 years
Call accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	instant	no	100	Up to 5 yrs Up to 2 yrs Up to 1 yr Up to 1 yr Up to 6 mths Up to 100 days Not for use
Term deposits – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	term	no	100	Up to 5 yrs Up to 2 yrs Up to 1 yr Up to 1 yr Up to 6 mths Up to 100 days Not for use
Fixed term deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	50	2 years
Collateralised deposit (see note 1)	UK sovereign rating	term	no	50	1 year

Note 1. As collateralised deposits are backed by e.g. AAA rated local authority LOBOs, this investment instrument is effectively a AAA rated investment

1.2 Deposits with counterparties currently in receipt of government support / ownership

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	term	no	100	1 Year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	UK Sovereign Rating or Blue	term	no	100	1 Year
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	term	yes	100	1 Year

1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1a. Money Market Funds CNAV	AAA	instant	No see note 1	100	1 Year
1b. Money Market Funds LVNAV	AAA	Instant to T+5	No see note 1	100	1 Year
1c. Money Market Funds VNAV	AAA	instant to T+5	No see note 1	100	1 Year
2. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	100	1 Year
3. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	100	1 Year
4. Bond Funds	AAA	T+2 or longer	yes	100	1 Year
5. Gilt Funds	UK sovereign rating	T+2 or longer	yes	100	1 Year

Note 1. The objective of MMFs is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.

1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 Year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 Year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	100	1 Year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 Year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 Year

1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Green	Sale T+0	yes	50	2 Years
Commercial paper other	Green	Sale T+0	yes	20	2 Years
Floating rate notes	Green	Sale T+0	yes	20	2 Years
Corporate Bonds other	Green	Sale T+3	yes	20	2 Years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

1.6 Other

	* Minimum Credit Criteria / fund rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	100	5 Years

Appendix 6 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management

The following table is for use by the Treasury team and is a list of current counterparties. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparties and may stop using certain counterparties and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operation reasons, limits are breached this will be communicated to management immediately.

The Monitoring of Investment Counterparties - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Treasury Services, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 95 Officer, and if required new counterparties which meet the criteria will be added to the list.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
Cash type instruments				
a. Deposits with the Debt Management Account Facility (UK Government) (Very low risk)	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies (Very low risk)	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 2 year. Limit of £10m per local Authority or public body	£unlimited, maximum 2 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.			
c. Money Market Funds (MMFs) – CNAV/LVNAV/VNAV (Low to very low risk)	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
d. Ultra short dated bond funds (low risk)	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
e. Call account deposit accounts with financial institutions (banks and building societies) (Low risk depending on credit rating)	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building societies) (Low to medium risk depending)	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
on period & credit rating)	broken with the agreement of the counterparty, and penalties may apply.			
g. Government Gilts and Treasury Bills (Very low risk)	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum 1 year.	100% maximum 1 year.
h. Certificates of deposits with financial institutions (Low risk)	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£10m per counterparty maximum 1 year.	20% maximum 1 year.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) (Low to medium risk)	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
depending on period & credit rating)	of the counterparty (penalties may apply).	will be further strengthened by the use of additional market intelligence.		
j. Corporate bonds (Medium to high risk depending on period & credit rating)	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£5m and maximum 1 year.	£20% and maximum 1 year.
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	£10m	20%.
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m and maximum 5 years.	10% and maximum 5 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
c. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%	20%
d. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%	100%
e. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	N/A
f. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rationale behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 30 years.	N/A
h. Hub Co sub debt	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A
i. Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risks and will only be considered for medium to longer term investments	Each investment requires approval by the Section 95 Officer up to £250,000, and, above this level, member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A

Appendix 7 – Creditworthiness policy

Service and Information provided by Link Treasury Services

This Council applies the creditworthiness service provided by Link Treasury Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit rates, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration of investments.

Based on the Link Treasury Services approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years*
Dark pink	5 years for Ultra short dated bond funds with a credit score of 1.25
Light pink	5 years for Ultra short dated bond funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

**The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored at least weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

No more than £20m can be invested with each UK bank and £15m each with any non UK bank. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The Council's Bankers currently have a credit rating which allows deposits of up to £20m to be placed with them for up to 100 days.

Deposits can be placed with Local Authorities and other public sector bodies for a period up to 2 years.

The Council can invest an unlimited amount of money with the Debt Management Agency Deposit Facility (operated by the Debt Management Office which is part of HM Treasury). The longest period for a term deposit with the DMADF is 6 months.

Creditworthiness.

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

Appendix 8 – Approved Countries for Investments (08-12-22)

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K.

Appendix 9 – Treasury Management Scheme of Delegation

The Council

- Overall responsibility for Treasury Management Strategy.
- Adoption of Treasury Policy Statements.
- Receive an Annual Report and other reports on the Treasury Management Operation and on the exercise of delegated treasury management powers.

The Policy and Resources Committee

- Responsibility for the overall investment of money under the control of the Council.
- Keeping under review the level of borrowing.
- Approval of Annual Strategy Statement.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Treasury Policy Statements.
- Implementation and monitoring of Treasury Management Policies and Practices.

The Audit and Scrutiny Committee

- Review the overall internal and management control framework related to the treasury function.
- Review internal and external audit reports related to treasury management.
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 10 – The Treasury Management Role of the Section 95 Officer

Section 95 Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Suubmitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Reviewing and considering risk management in terms of treasury activities.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following: -
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that*

appropriate professional due diligence is carried out to support decision making;

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

The nominated Elected Member (Policy Lead for Finance and Commercial Services)

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.

Appendix 11 – Policy on environmental, social and governance (E.S.G.)

This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision to **enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.**"*

For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

ARGYLL AND BUTE COUNCIL
CHIEF EXECUTIVE

AUDIT AND SCRUTINY COMMITTEE
16 MARCH 2023

BEST VALUE IMPROVEMENT ACTION PLAN UPDATE

1.0 EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to provide members a final update on the Best Value Improvement Action Plan which emerged from the Accounts Commission findings on the Controller of Audits Statutory Report on the Council.
- 1.2. The action plan was agreed by the Council in June 2020 and an update was provided to the Audit and Scrutiny Committee in March 2021 and 2022. Audit Scotland's 2020/21 Annual Audit Report (November 2022) concludes that the Council has an appropriate and effective best value framework in place and continues to make good progress addressing the recommendations in Best Value Assurance Report 2020.
- 1.3. The Committee will recall in our last report in March 2022, of the 36 actions set out within the original improvement plan, 22 were completed and the intent was to bring back an update on the remaining 14 actions.
- 1.4. Members are asked to note the full update as set out within appendix 1.
- 1.5. Members are also asked to note that as CEO I have set in process the development of a change programme that seeks to ensure the organisation is able to meet the financial, policy and societal challenges ahead. This will influence a new Best Value action plan which I will bring to this committee for its consideration.

ARGYLL AND BUTE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

CHIEF EXECUTIVE

16 MARCH 2023

BEST VALUE IMPROVEMENT ACTION PLAN UPDATE

2.0 INTRODUCTION

- 2.1 The purpose of this report is to provide members a final update on the Best Value Improvement Action Plan and an introduction to a forthcoming change programme from which will emerge a new Best Value action plan to support the organisation in meeting the challenges ahead.

3.0 RECOMMENDATIONS

- 3.1 The Audit and Scrutiny Committee notes below an update against the themes of the Best Value Improvement Action Plan and the associated table set out within appendix.
- 3.2 Members are also asked to note an introduction to the forthcoming change programme and that a new Best Value action plan will be presented for the consideration of this committee at a future meeting.

4.0 DETAIL

- 4.1 In September 2020, the Audit and Scrutiny Committee considered the findings report and recommendations from the Accounts Commission Findings on the Controller of Audit Scotland's Statutory Report on the Council. The Committee also noted the action plan that was agreed by the Council in June 2020 and this report provides a third and final update on the plan (with previous updates having been submitted to this committee in March 2021 and 2022).

- 4.2 Audit Scotland's 2020/21 Annual Audit Report (November 2022) concluded that the Council has an appropriate and effective best value framework in place and continues to make good progress addressing the recommendations in Best Value Assurance Report 2020.
- 4.3 The Committee will recall in our last report in March 2022, of the 36 actions set out within the original improvement plan, 22 were completed and the intent was to bring back an update on the remaining 14 actions and a summary of these can be found below.
- 4.4 Theme 1; Develop the transformation agenda, supported by an affordable and achievable medium to longer term financial strategy. The outstanding action (BV1.2) relating to the provision of a Capital Strategy remains ongoing. The draft plan has been through a number of revisions and during this period the Council's Executive Leadership Team appointed in June 2022 on internal secondment a Corporate Programme Coordinator to undertake a holistic review of the organisations approach to prioritisation and phasing of capital projects with an objective to develop a long term 'pipeline of projects'. This has positively influenced the Capital Strategy and a final draft version will come to the Policy and Resources Committee in August 2023.
- 4.5 Theme 2; Improve performance management reporting to provide a balanced picture of long term trends in performance against targets.
- 4.6 Action BV2.3 to procure or develop a performance system in house whilst delayed has progressed. Previously a specification for a new performance system was agreed and a procurement exercise was undertaken with no satisfactory outcome with regards to price. An alternative and more holistic approach was undertaken to seek to self-develop an organisational data platform that will provide a performance dashboard. Work has commenced on building the new dashboard for the Area Performance Reports that are submitted to Area Committees and will go live for FQ1 2023/24. This activity is linked to the data initiative on which there is more information at paragraph 4.8 below.
- 4.7 A review of public performance reporting will be undertaken as part of a wider review of the organisations Performance Improvement Framework which is re-scheduled to be completed by September 2023.
- 4.8 Theme 3; Increase the pace of transformational change to deliver the business outcomes.

- 4.9 Action BV3.3 sets out the requirement to complete an options appraisal on data analytics/business intelligence as a tool to inform transformation and improvement. This work was initially delayed due to the COVID 19 pandemic.
- 4.10 In November 2021, the Executive Leadership Team learned from Aberdeen City Council on their journey to harness data to improve decision making. Subsequently the Council's Executive Leadership Team instructed ICT to consider options for the development of our own in-house system using Microsoft 365 technology. In October 2022 ELT, having reviewed the options, agreed a business case to self-develop an 'on site' data platform (i.e. not in the 'cloud') and secure additional resource to develop data 'products' (e.g. dashboards).
- 4.11 The prioritisation and development of data 'products' is directed by the internal Data Advisory Group consisting of senior officers from across the organisation. The Head of Customer Support Services chairs the Data Advisory Group which is accountable to the Council's Executive Leadership Team.
- 4.12 It is through this endeavour that the Council is developing a new in-house system to produce performance dashboards. Whilst still early in its development, the Data Advisory Group and its associated data platform will in time become powerful agents for the provision of real time data to improve decision making.
- 4.13 A particularly pioneering and emerging product is a Cost of Living Data Dashboard which is a collaboration combining data on council tax reductions, council tax arrears, applications to the Scottish Welfare Fund, average income (by post code) and the Scottish Index of Multiple Deprivation to provide an insight into possible areas of need across our areas. The data is grouped by school catchment areas as schools are being viewed as a means to address the target audience where need is deemed greatest. This data dashboard has been shared with the Council's Financial Inclusion Action Group who intend to direct action on targeted support based on the data provided. It is important to note that this work is in its infancy and illustrates what can be achieved through collaboration, knowledge and with the right tools.
- 4.14 Action BV3.8; the Council is on track to reduce the number of ICT applications in use by 10% by March 2023 with the implementation of MS 365 contributing to the reduction of standalone applications.
- 4.15 With the introduction of MS365 we have a number of examples of council staff relying less on legacy systems and applications. The performance management system (Pyramid) will be decommissioned shortly with the new

data management project providing a new opportunity to collate, analyse, and report on performance data in a more efficient manner. Similarly, we no longer use external paid for services from companies like Survey Monkey because we can run our own internal surveys using MS Forms. We're using automated forms to speed up approvals processes for the most common forms.

- 4.16 We no longer use our bespoke Video Conferencing systems as MS Teams enables us to meet, communicate, and collaborate across the entire Scottish public sector. We have learned to collaborate across network boundaries in Teams channels and this has contributed to a reduction in emails and fewer external telephone calls as partners and suppliers are more accessible and contactable via federated links on MS365.
- 4.17 We see significant environmental benefits from our new approach to printing. We no longer print and post council committee papers with all now distributed online and we have removed all personal desktop printers from offices and use strategically placed and more efficient multi-function print and copy devices across the entire corporate and education estates.
- 4.18 Theme 4; Assess the extent to which regeneration and economic development initiatives are delivering the vision and corporate outcomes.
- 4.19 For the review, appraisal and monitoring of regeneration and economic initiatives, the Council now has in place adoption of best practice as set out by the UK Government (i.e. Her Majesty's Treasury Green Book Guidance).
- 4.20 Post project evaluation is now business as usual for large capital projects and work is ongoing to streamline this activity for all capital projects. An external audit was undertaken to assess the training requirements and a tailored training programme was put in place. The programme is now largely complete for 75% of officers and will be completed later this year.
- 4.21 Theme 5; Work with communities and community groups to improve engagement.
- 4.22 Actions in relation to measuring satisfaction with communities (BV5.1 and 5.2). As part of the performance excellence project, the project team liaised with the Customer Engagement and Transformation Manager to develop a new corporate customer satisfaction survey which will be issued October 2023 and will be repeated annually to provide trend data on organisational customer satisfaction.
- 4.23 On identifying priorities for better future engagement (action BV 5.4), the Council's Executive Leadership Team (ELT) will agree in the summer 2023 a

programme of Service Re-Design where services will be co-designing services with stakeholders. This will be a long term programme informed by a service self-assessment programme that will be rolled out in the spring to support the determination of priorities and phasing of the programme.

- 4.24 Members will note that of those actions within the original Best Value Action Plan not yet complete are in progress and will be completed this year and for this reason as CEO, looking forward to the future challenges of our organisation, a new programme of Best Value activity will be prepared for the consideration of this committee at a future meeting.
- 4.25 Argyll and Bute Council is operating in a dynamic landscape which brings with it many opportunities and challenges. The operations of the council have done well to meet the challenges faced so far. There is a need to develop the organisation to be in a position to continue to meet the financial, policy and societal challenges ahead.
- 4.26 Our operations as a Council so far have risen to the challenge of meeting substantial savings and to date has made over £70million in recurring savings since 2010-2011, including £500k reduction in senior management costs. This equates to around 26% of total budget and with each passing year it becomes more difficult to identify savings.
- 4.27 The Accounts Commission describes our approach as “*having successfully achieved financial balance through a focus on cost reductions. Although the Council’s transformation programme has delivered some efficiencies and achieved small scale savings, further work is required to better align its financial and transformation plans to drive meaningful change through new and innovative ways of working*”. (Best Value Assurance Report 2020).
- 4.28 As acknowledged by others, driving change was particularly challenging during the period that the public sector was in response mode to the pandemic and now having returned to some form of normality, to meet the complex challenges our communities face and changes anticipated in the public sector the council needs to adapt the way it operates.
- 4.29 As CEO I am bringing forward a change programme and the council’s operating model will transform over the next 4 years based on the following principles and through a programme of service redesign and other activity.
- a) We are one council, one place – with the organisation working across professional and service boundaries, collaboratively for the greater good of the population they serve. Reducing silo working and increasing joint activity across organisations and with partners to improve outcomes.

- b) We focus on our purpose and mission– clearly prioritising politically agreed objectives to achieve the greatest possible impact with limited resources, with shared ownership of efforts to achieve common goals.
- c) Our employees are empowered – delegate decisions against agreed objectives to speed up decision making and problem solving, harnessing their skills and increasing staff satisfaction.
- d) We take decisions informed by data – targeting resources to where they are most needed and evaluating the effectiveness of what we do.
- e) We are a learning council – a consistent approach to external and self-evaluation to realise continuous improvement.
- f) We are agile and adapt to change.
- g) We maximise opportunities that technology offers

4.30 Details on the change programme and a new Best Value Action Plan will be brought to this committee at the first available opportunity.

5.0 CONCLUSION

5.1 Progress has continued to be made and the programme will be successfully completed this year. In order to demonstrate how the Council is looking forward, it is intended to bring to this committee new Best Value Action Plan at the first available opportunity against which this committee can continue to scrutinise Council's endeavours to continue to improve best value in the face of an increasingly challenging landscape.

6.0 IMPLICATIONS

6.1 Policy; none.

6.2 Financial; none.

6.3 Legal; the Council requires to comply with the statutory requirements.

6.4 HR; none

6.5 Fairer Scotland Duty: none

6.5.1 Equalities - protected characteristics; none

6.5.2 Socio-economic Duty; none

6.5.3 Islands; none

6.6. Climate Change; none.

6.7 Risk; none.

6.8 Customer Service; none.

Pippa Milne

Chief Executive

22 February 2023

For further information contact:

- Jane Fowler, Head of Customer Support Services
- Stuart Green, Corporate Support Manager, Chief Executives Unit

APPENDICES

Appendix 1; Best Value 3 Improvement Action Plan v4

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
BV1.2	Develop the transformation agenda, supported by an affordable and achievable medium to longer term financial strategy	Complete capital strategy and launch revised capital process.	Capital Strategy and process is launched	May 2024 August 2022 August 2023	Head of CS	<p>An update was provided to the Policy and Resources Committee on the 14 October 2021.</p> <p>The Executive Leadership Team appointed in June 2022 on internal secondment a Corporate Programme Coordinator to undertake a holistic review of the organisations approach to prioritisation and phasing of capital projects with an objective to develop a long term 'pipeline of projects' which will emerge over the coming 12 months and significantly influence the Capital Strategy.</p> <p>In addition, ELT completed a review of the Strategic Asset and Group Asset Management Plans process to improve the value of the process and its outputs to support Members in its decision making.</p> <p>The Capital Strategy has gone through a number of revisions and final draft version will be submitted to the Council's Policy and Resources Committee August 2023.</p>

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
BV2.3	Improve performance management reporting to provide a balanced picture of long-term trends in performance against targets.	<p>Review the approach to performance management reflecting:</p> <ul style="list-style-type: none"> - Clear links to strategic priorities - Meaningful indicators, taking account of trend data and benchmarking <p>The need for a simple and effective system for recording and presenting data</p>	New system procured or developed in-house	Dec-2024 July 2023	Head of CSS	<p>The project Team developed a specification for ICT functionality which was signed off by ELT. A procurement Exercise was undertaken with no satisfactory outcome with regards to price.</p> <p>An alternative and more holistic approach was undertaken to seek to develop an organisational data platform that will provide a performance dashboard; see BV3.3 for more information.</p> <p>Work has commenced on building a new dashboard for the Area Performance Reports that are submitted to Area Committee and will go live for FQ1 2023/24.</p>
BV2.5		Improve public performance reporting.	Review of public performance reporting complete	March 2022 September 2023	Head of CSS	This will be included within a review of the Performance Improvement Framework with a report scheduled to go to Council September 2023.
BV3.3	Increase the pace of transformational change to deliver	Develop data analytics/business intelligence as a tool to inform	Options appraisal on data analytics approach complete	March 2024 Complete	Head of CSS	Initially delayed due to Covid. Further to learning from Aberdeen City Council on their 'data journey', the Council's Executive Leadership Team agreed January 2022 in principle to the

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
	the business outcomes	Transformation and Improvement				<p>development of an in-house system using Microsoft 365 technology. This initiative will allow the Council via a self-build to take data from across various systems into a single 'data platform' (i.e. integrated set of technologies that collectively creates the data in an accessible format like a dashboards).</p> <p>The Executive Leadership Team (ELT) agreed in October 2022 a business case to develop an on-site data platform and create capacity to commence development of data dashboards as directed by the Data Advisory Group (an officer group accountable to the ELT).</p>
BV3.4		Implement programme of modernising education services.	Reports on progress to elected members at appropriate stages of programme	Complete	Exec Dir	<p>February 2021 - Members Seminar online learning.</p> <p>June 2021 – Education Change Programme; report on key findings of all 10 workstreams reported to Community Services Committee June where it was agreed to progress with a programme of engagement with communities, staff, representative bodies and wider stakeholders on the school leadership model.</p>

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
						Community Choices Committee agreed in August 2022 not to progress key recommendations and other actions will be picked up as normal business.
BV3.5		Implement programme of modernising education services.	Modernisation programme is complete	Complete	Exec Dir	<p>'Empowering our Educators' community engagement and consultation exercise commenced 29.11.21 running through to 04.02.22 to discuss and co-develop proposals.</p> <p>Community Choices Committee agreed in August 2022 not to progress key recommendations and other actions will be picked up as normal business.</p>
BV3.8		Make full use of improved technology to transform service delivery and reduce burden on front line services	Simplify administrative processes by reducing the number of ICT applications in use by 10%	March 2023	Head of CSS	<p>On track. Strategic context set by the approved ICT and Digital Strategy.</p> <p>Digital by Default budget theme has contributed to revenue budget reductions through agile working, hybrid meetings and significant reduction in printing, postage and travel;</p> <p>Implementation of MS365 has contributed to reduction of standalone applications such as Survey Monkey and Pyramid. Phases 2 and 3 underway to maximise use of M365 Business Apps and Streamline Information</p>

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
						Management. Further reductions will be implemented and monitored via ICT and Digital Strategy, including via new HR and Payroll system. Robotic Process Automation will begin implementation in 23/24
BV4.2	Assess the extent to which regeneration and economic development initiatives are delivering the vision and corporate outcomes	Create inter-departmental Project Review Team and scope review of project process to align to BV3 Objective	Project Review Plan to be approved by Capital Investment Board	December 2020 December 2023	Major Project Programme Manager	Key resources identified within Programme & Project Management Service Economic Development, Strategic Finance and Procurement. Council's response to COVID pandemic delayed the work considerably. Post project evaluation is in place for large capital projects and will be streamlined through the Asset Management Board. New scoring mechanism developed to support evaluation.
BV4.3		Implement updated Project Process for Options & Evaluation.	Launch at Capital Investment Board	April 2024 August 2023	MPPM	The new streamlined approach will be launched at the August meeting of the Capital Investment Board.
BV4.4		Training / Mentoring for Project	Delivery of training recorded	September 2021	Project Review Team	An external audit was undertaken to assess training requirement.

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
		Practitioners in updated Project Process for Options & Evaluation		September 2023		Training now largely 75% completed and will be completed by September 2023.
BV5.1	Work with communities and community groups to improve engagement	Engage with communities to understand and improve levels of satisfaction with council services in order to understand and address their concerns	Develop co-ordinated approach to measuring satisfaction with communities.	Dec-2024 Oct 2023	Head of CSS	As part of the performance excellence project, the project team liaised with the Customer Engagement and Transformation Manager to develop a new corporate customer satisfaction survey which will be issued October 2023.
BV5.2			Trends are measured as well as individual survey outcomes	Dec-2024 October 2023	Head of CSS	The survey described above will ensure trend data over a longer period.
BV5.4		Improve the quality of engagement with our communities and reflect this in service improvements	Identify priorities for better future engagement	Sept-2024 June 2023	Head of CSS	The Executive Leadership Team (ELT) will decide in the spring 2023 a programme of Service Co-Design where services will be co-designing services with stakeholders. This will be a long term programme informed by service self-assessment programme.

Best Value 3 Action Plan V4 – February 2023

Reference	Theme	Actions to achieve outcomes	Success Measures	Key Dates	Lead	Progress
BV5.5		Implement a programme to improve engagement skills across the organisation.	Training materials developed and programme rolled out	June 2022 June 2023	Head of CSS/ CPP Manager	<p>The Executive Leadership Team (ELT) directed a review and agreed a new Community Engagement Guidance document that will be rolled out to employees.</p> <p>The ELT also agreed to establish a working group to further evolve the guidance into a clear framework to provide greater guidance, flowchart and tools for services to engage the community. This activity will link to the training for Service Design that will be rolled out this year (2023).</p>

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ARGYLL AND BUTE COUNCIL
AUDIT AND SCRUTINY COMMITTEE**FINANCIAL SERVICES****16 MARCH 2023**

INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL

1. SUMMARY

- 1.1 This report outlines the proposed changes to the Internal Audit Charter and Internal Audit Manual. Both have been updated to reflect minor changes in the working practices within Internal Audit.

2. RECOMMENDATIONS

- 2.1 To approve the amended Internal Audit Charter (Appendix 1).
- 2.2 To approve the amended Internal Audit Manual (Appendix 2).

3.0 DETAIL.

- 3.1 Under the Public Sector Internal Audit Standards (PSIAS) Internal Audit is required to prepare an Internal Audit Charter, consistent with the Mission of Internal Audit that defines internal audit's purpose, authority and responsibility.
- 3.2 However just having a Charter is not sufficient to comply with the requirements of PSIAS. The requirement for a Charter is just one element of PSIAS. Full compliance requires the adoption of a range of principles and working practices which are closely aligned to the requirements as set out in PSIAS.
- 3.3 Whilst there is no written requirement, within PSIAS, for an Internal Audit Manual to be created, in general, it is considered good practice to develop a manual to help guide the overall management and administration of the department and the audit approach adopted. Given the mandatory nature of PSIAS it also makes sense for that manual to be consistent with the requirements of PSIAS.
- 3.4 The Charter and Manual were both fully revised by the Chief Internal Auditor (CIA) in 2018 and subject to annual review and Committee approval in each subsequent March. As a consequence the amendments made in this 2023 review are very minor in nature and summarised in the table below:

Internal Audit Charter

Page	Para	Summary of change
Front	N/A	Date updated.
6	30	Amended to reflect that the Counter Fraud Team are

		permanent
7	33	Paragraph updated to reflect new updated approach to the PRD process and to confirm this will be undertaken on an annual basis.
8	42	Changed approval date to this Committee

Internal Audit Manual

Page	Para	Summary of change
Front	N/A	Date updated.
4	6	In terms of consistency reflect that Douglas Hendry is both an Executive Director and Monitoring Officer
7	20	Paragraph updated to reflect new approach to the PRD process and to confirm that this will be undertaken on an annual basis
11	46	To amend the date to reflect the current timeframe of reference
12	52	To insert missing word 'of' after achievement in the first bullet point
16	94	Removal of previous reference to Internal Audit database as 'Follow Up' actions are now recorded on SharePoint

4.0 CONCLUSION

4.1 The Internal Audit Team has updated the Internal Audit Charter and Internal Audit Manual in line with the requirements of the PSIAS.

5.0 IMPLICATIONS

- 5.1 Policy – Internal Audit continues to adopt a risk based approach to activity
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None
- 5.6 Climate Change - None
- 5.7 Risk – A consistent audit approach helps reduce the Council's risk exposure
- 5.8 Customer Service - None

Paul Macaskill
Chief Internal Auditor
16 March 2023

For further information please contact: Internal Audit (01436 604108)

Appendices:

- 1. Internal Audit Charter**
- 2. Internal Audit Manual**

Argyll and Bute Council

Internal Audit Charter

March 2023

Contents

Introduction.....	3
Internal Audit Mission (PSIAS Section 3)	3
Definition of Internal Auditing (PSIAS Section 4).....	3
Definition of Roles.....	3
Purpose of Internal Audit	3
Authority and Scope.....	4
Independence and Objectivity	4
Organisation	5
Resourcing.....	5
Responsibility and Scope	6
Fraud and Corruption	6
Professionalism.....	7
Internal Audit Plan.....	7
Reporting and Monitoring.....	8
Periodic Assessment.....	8
Approval.....	8

Introduction

1. The Local Authority Accounts (Scotland) Regulations 2014 introduced a requirement for all Scottish Local Authorities to operate a professional and objective internal auditing service, which must be delivered in accordance with recognised standards. The standards and practices applied in the UK for all public sector internal audit providers, in-house, shared or outsourced, are the Public Sector Internal Audit Standards (the Standards), which came into effect in April 2013, and were updated in March 2017.
2. The Standards require the Argyll and Bute Council (the Council) to have an Internal Audit Charter (the Charter), consistent with the Mission of Internal Audit, that defines internal audit's purpose, authority and responsibility.

Internal Audit Mission (PSIAS Section 3)

3. It is internal audit's mission to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Auditing (PSIAS Section 4)

4. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Definition of Roles

5. The Standards require that the Internal Audit Charter defines the terms 'board', 'senior management' and 'Chief Audit Executive' in relation to the work of Internal Audit. For the purposes of Internal Audit work:
 - **Board** - refers to the Council's Audit and Scrutiny Committee (the Committee) which has delegated responsibility for overseeing the work of Internal Audit
 - **Senior management** - is defined as the Chief Executive and members of the Council's Strategic Management Team (SMT)
 - **Chief Audit Executive** - refers to the Chief Internal Auditor (CIA).

Purpose of Internal Audit

6. The main objective of Internal Audit is to provide, in terms of the PSIAS, a high quality, independent audit service to the Council which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to this primary assurance role, Internal Audit will also:
 - support the Executive Director (Kirsty Flanagan) (s95 officer) and the Committee in the discharge of their duties
 - support the Council's Monitoring Officer (Douglas Hendry)
 - support the Council's anti-fraud and corruption arrangements
 - provide advice and guidance on control implications for new or changed systems where appropriate
 - support the Council and the SMT during key transformational / change projects.

7. Internal Audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of service management. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. A specific contingency will be made in the internal audit plan to allow for management requests and consultancy work. The CIA will consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Committee before any significant unplanned consultancy work is accepted.
8. The Internal Audit activity is established by the Committee with Internal Audit's responsibilities defined by the Committee as part of their oversight role.

Authority and Scope

9. Internal audit, with strict accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit, through the CIA, will also have free and unrestricted access to the Committee. Designated auditors are entitled, without necessarily giving prior notice, to require and receive:
 - access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature
 - access at all reasonable times to any land, premises, officers and members of the Council
 - the production of any cash, stores or other property of the Council under an officer's and member's control
 - explanations concerning any matter under investigation.
10. Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the Committee and in consultation with the SMT to ensure that appropriate audit resources are available to provide assurance over the Council's activities. Internal Audit currently provide audit services to LiveArgyll, the arrangements for internal audit have been agreed with LiveArgyll's General Manager who reports to LiveArgyll's Finance and Audit Sub-Committee. As of 1 April 2021 Internal Audit will be providing audit services to the Argyll and Bute Health and Social Care Partnership (HSCP). Arrangements for that service have been agreed with the HSCP's Head of Finance and Transformation.

Independence and Objectivity

11. Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content. This will ensure that the work of Internal Audit is independent and objective.
12. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

13. The CIA has additional responsibilities for risk management and counter fraud arrangements. The CIA will declare an interest for audit assignments in these areas with the next most senior internal audit team member taking additional reporting responsibilities where such conflicts arise. This arrangement will address the recognised independence issues arising from the CIA's other responsibilities. A further option, if required, is for the CIA of another local authority to provide oversight of an audit where there is a possible conflict of interest.
14. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, as detailed in the Chartered Institute of Internal Audit's Code of Ethics.
15. Internal auditors must also make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments, as detailed in the 7 Principles of Public Life (the 'Nolan principles').
16. Each member of the Internal Audit team completes a register of interest and updates it, at a minimum, on an annual basis.
17. The CIA will confirm to the committee, at least annually, the organisational independence of Internal Audit.

Organisation

18. The CIA is the officer responsible to the Committee for the provision of an independent Internal Audit service. The CIA will discharge this responsibility through the direct application of internal audit resources.
19. The CIA reports, on an administrative basis, to the Head of Financial Services who is a member of the SMT. However the CIA also has unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Executive Directors including the Executive Director who is the Council's Monitoring Officer.
20. The CIA has direct access to the Chair of the Committee to discuss any matters the Committee or auditors believe should be raised privately. One of the functions of the Committee is to ensure that no unjustified restrictions and limitations are made to the scope and activities of Internal Audit. Additionally, unrestricted access to all Officers of the Council is afforded to all members of the Internal Audit service.
21. The CIA is required to hold a professional qualification and be suitably experienced with other team members having suitable experience and/or be working towards a relevant qualification.

Resourcing

22. The CIPFA Local Government Application note for applying PSIAS states that '*No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage*'.
23. It is the CIA's responsibility to ensure that resourcing arrangements are in place to deliver the annual risk based internal audit plan and that those resources are flexible enough to cope with special requests. Where applicable the CIA may seek additional input from external providers.
24. The internal audit plan will document the budgeted resource requirements for the audit year. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required

to deliver the plan, the CIA will communicate the impact of resource limitations and significant interim changes to the Committee.

Responsibility and Scope

25. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal control processes in relation to the Council's defined goals and objectives. This recognises that Internal Audit's remit extends to the entire control environment of the organisation.
26. Internal Audit is not a substitute for the operation of effective internal controls, which are the direct and sole responsibility of management. However, Internal Audit's specific commitments do include (but are not necessarily limited to) the following:
 - examining and evaluating the adequacy of the Council's system of internal control, including those pertaining to the deterrence, detection and investigation of fraudulent or illegal acts
 - reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information
 - reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations
 - reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets
 - appraising the economy and efficiency with which resources are employed and the quality of performance in carrying out assigned responsibilities
 - coordinating Internal Audit activities with the work of the External Auditors and assisting them as required.
27. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Committee and the SMT including fraud risks, governance issues, and other matters needed or requested by the Committee.

Fraud and Corruption

28. Managing the risk of fraud and corruption is the responsibility of the SMT. Management is also responsible for developing, implementing and maintaining systems of internal control to guard against fraud or irregularity and ensure probity in systems and operations. Internal Audit will assist management by reviewing the controls and procedures in place.
29. Audit procedures alone cannot guarantee that fraud and corruption will be detected, nor does Internal Audit have the responsibility for prevention and detection of fraud. However, individual auditors will be alert in their work to risks and exposures that could allow a fraud, irregularity or corrupt practice to take place.
30. Where any matter arises which involves, or is thought to involve, a fraud, corruption or financial irregularity, the relevant Head of Service / Executive Director will notify the Council's Monitoring Officer, Head of Financial Services and the CIA for consideration of appropriate action. Further guidance can be found in the Council's Anti-Fraud strategy and Public Interest Disclosure Policy. The Council's Counter Fraud Team reports directly to the CIA so the CIA will be involved in overseeing any investigation and will liaise with the Council's Monitoring Officer during the investigation of the alleged fraud and in particular:

- examine current Council policies, procedures and financial controls, their current working and effectiveness in relation to the alleged fraud
- report to the SMT in relation to the adequacy of current Council policies, procedures and financial controls in relation to the alleged fraud and make recommendations for their revision
- provide advice and assistance to the Monitoring Officer in relation to Council policies, procedures and financial controls and control issues relevant to the investigation of the alleged fraud.

Professionalism

31. Internal Audit will adhere to the Standards, which are based on the Chartered Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit's performance.
32. Other professional guidance will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to the Council's relevant policies and procedures and Internal Audit's manual.
33. To ensure that auditors maintain and enhance their knowledge, skills and audit competencies an updated approach to the PRD process, based on measuring and improving outcomes from conversations between managers and employees about performance and career/development aspirations will be adopted. This process will be undertaken on an annual basis.

Internal Audit Plan

34. At least annually, the CIA will submit an Internal Audit plan that includes risk assessment criteria to the Committee for review and approval. The CIA will communicate the impact of any resource limitations and significant interim changes to the SMT and the Committee.
35. The Internal Audit plan will be developed based on a prioritisation of those key risks facing the Council including input of the SMT and the Committee. The plan will be flexible in nature, can be updated to reflect the changing risks and priorities of the Council, and will take into account:
 - the Council's risk registers and risk management framework
 - a balance of coverage across all operational areas (this constitutes the assurance nature of the plan ensuring an adequate level of internal audit review annually within each service)
 - experience gained from previous Internal Audit activity
 - the impact of national issues (e.g. economic factors, the introduction of new legislation)
 - the impact of local issues (e.g. corporate or service action plans)
 - periodic review of core financial and operational systems
 - the available audit resource and skills
 - staff development and training
 - time needed for the management of the Internal Audit service
 - contingency set aside for consultancy, reviews or investigations

- liaison with other assurance providers such as the External Auditor and other scrutiny bodies.

Reporting and Monitoring

36. Following the conclusion of each Internal Audit engagement, a written report will be prepared, reviewed by the CIA and distributed as appropriate. Internal Audit reports will also be presented to the Committee. LiveArgyll audit reports will also be presented to their Finance and Audit Sub-Committee by the LiveArgyll General Manager. Any audit reports relating to social work services will also be presented to the Argyll and Bute HSCP Audit and Risk Committee.
37. The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific issues and risks. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
38. Internal Audit will be responsible for appropriate follow-up on engagement findings and actions. All findings will remain open until appropriate action is demonstrably taken by management or the risk of no action is formally accepted.

Periodic Assessment

39. Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of Internal Audit activity. This consists of an internal annual self-assessment of the service and its compliance with the Standards and ongoing performance monitoring. The adequacy of Internal Audit is also assessed on an annual basis by the Council's external auditors.
40. External assessments against the Standards will be conducted at least once every five years by a suitably qualified, independent assessor. These reviews form part of a national peer review programme administered by the Scottish Local Authorities Chief Internal Auditor Group.
41. The conclusions of all internal and external assessments will be reported to the Committee.

Approval

42. This Charter was reported to and approved by the Committee at its meeting on 16 March 2023 and shall be subject to regular review by the CIA and the Committee.



Argyll and Bute Council

Internal Audit Manual

March 2023

Contents

Introduction	4
Internal Audit Mission (PSIAS Section 3)	4
Definition of Internal Auditing (PSIAS Section 4)	4
Ethics (PSIAS Section 6)	4
Overview.....	4
Applicability and Enforcement.....	4
Relevant Codes.....	5
Integrity.....	5
Objectivity.....	5
Confidentiality.....	5
Competency.....	5
Principles of Public Life.....	6
PSIAS Attributes	6
Internal Audit Charter (PSIAS 1000 - 1120).....	6
Proficiency (PSIAS 1210)	6
Due Professional Care (PSIAS 1220)	7
Quality Assurance and Improvement Programme (PSIAS 1300).....	7
Requirements of the Quality Assurance and Improvement Programme (PSIAS 1310)	8
Internal Assessments (PSIAS 1311)	8
External Assessments (PSIAS 1312)	8
Reporting on the Quality Assurance and Improvement Programme (PSIAS 1320).....	9
International Standards for the Professional Practice of Internal Auditing' (PSIAS 1321)	9
Disclosure of Non-conformance (PSIAS 1322)	9
Performance	9
Managing the Internal Audit Activity (PSIAS 2000)	9
Planning (PSIAS 2010).....	9
Communication and Approval (PSIAS 2020)	10
Resource Management (PSIAS 2030)	10
Policies and Procedures (PSIAS 2040)	10
Coordination and Reliance (PSIAS 2050)	10
Reporting to Senior Management and the Board (PSIAS 2060)	11
External Provider & Organisational Responsibility for Internal Auditing (PSIAS 2070)	11
Nature of the Work	11
Governance (PSIAS 2110)	11

Risk Management (PSIAS 2120)	11
Control (PSIAS 2130)	12
Engagement Planning	12
Engagement Objectives (PSIAS 2210)	12
Engagement Scope (PSIAS 2220)	13
Engagement Resource Allocation (PSIAS 2230)	13
Engagement Work Programme (PSIAS 2240)	13
Performing the Engagement	14
Identifying Information (PSIAS 2310)	14
Analysis and Evaluation (PSIAS 2320).....	14
Documenting Information (PSIAS 2330)	14
Engagement Supervision (PSIAS 2340)	14
Communicating Results	14
Criteria for Communicating (PSIAS 2410)	15
Quality of Communications (PSIAS 2420)	15
Errors and Omissions (PSIAS 2421)	15
Use of ‘Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing’ (PSIAS 2430)	15
Engagement Disclosure of Non-Conformance (PSIAS 2431)	15
Disseminating Results (PSIAS 2440)	16
Overall Opinion (PSIAS 2450)	16
Monitoring Progress (PSIAS 2500)	16

Introduction

1. The Local Authority Accounts (Scotland) Regulations 2014 introduced a requirement for all Scottish Local Authorities to operate a professional and objective internal auditing service, which must be delivered in accordance with recognised standards. The standards and practices applied in the UK for all public sector internal audit providers, in-house, shared or outsourced, are the Public Sector Internal Audit Standards (PSIAS), which came into effect in April 2013, and were updated in March 2017.
2. This Internal Audit Manual (the Manual) has been created to provide guidance to the Internal Audit section of Argyll and Bute Council (the Council) on the administration of the department and audit approach to be adopted. The contents are guided by the requirement of PSIAS with the key sections cross referenced to the appropriate section in PSIAS.

Internal Audit Mission (PSIAS Section 3)

3. It is Internal Audit's mission to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Auditing (PSIAS Section 4)

4. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Ethics (PSIAS Section 6)

Overview

5. The purpose of a '*Code of Ethics*' is to promote an ethical culture within the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, governance and control. A '*Code of Ethics*' extends beyond the definition of internal auditing to include two essential components:
 - principles that are relevant to the profession and practice of internal auditing
 - rules of conduct that describe behaviour norms expected of internal auditors.

Applicability and Enforcement

6. A '*Code of Ethics*' applies to all of those who are commissioned to provide internal audit services to the Council. Suspected or known breaches of the '*Code of Ethics*' should be referred to at least one of the following, as considered appropriate:
 - Chief Internal Auditor (CIA)
 - Executive Director (Kirsty Flanagan) (Section 95 Officer)
 - Executive Director (Douglas Hendry) (Monitoring Officer)
 - Audit and Scrutiny Committee (the Committee).
7. The fact that a particular piece of 'behaviour' which has been identified as being possibly inappropriate is not specifically covered by, or mentioned within, the Council's own '*Code of Conduct*', does not necessarily prevent it from being unacceptable, discreditable or in deed unprofessional.

8. For members of the Chartered Institute of Internal Auditors, breaches of the '*Code of Ethics*' will be evaluated and administered in line with the Institute's disciplinary procedures. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation. Such procedures are without prejudice to the Council's own disciplinary procedures. All members of the internal audit team, on an annual basis, self-assess their compliance with ethical principles and relevant Argyll and Bute Council policies by completing a Fit and Proper form. This is submitted to the CIA.

Relevant Codes

9. Qualified internal auditors could be members of one or more of the following institutions: Chartered Institute of Public Finance & Accountancy (CIPFA), the Chartered Institute of Management Accountants (CIMA), the Chartered Institute of Internal Auditors (IIA) and the Association of Chartered Certified Accountants (ACCA). Each of these bodies have their own Code of Ethics which members are expected to comply with.

Integrity

10. Internal auditors should:
 - perform their work with honesty, diligence and responsibility
 - observe the law and make disclosures expected by the law and the profession
 - not knowingly be a party to any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation
 - respect and contribute to the legitimate and ethical objectives of the Council.

Objectivity

11. Internal auditors should:
 - not take part in any activity or relationship that may impair or be presumed to impair their unbiased assessment
 - not accept anything that may impair or be presumed to impair their professional judgement
 - disclose all material facts known to them that, if not disclosed, may distort the reporting or activities under review.

Confidentiality

12. Internal auditors should:
 - act prudently when using information acquired in the course of their duties and protect that information
 - not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council.

Competency

13. Internal auditors should:
 - only carry out services for which they have the necessary knowledge, skills and experience
 - perform services in accordance with the International Standards for the Professional Practice of Internal Auditing (as applied in the PSIAS)
 - continually improve the proficiency and effectiveness and quality of their services, for example through on going meetings and engagement with the CIA

Principles of Public Life

14. In all dealings Internal Audit will adhere to Nolan’s seven principles of public life as set out in Exhibit 1.

Exhibit 1– Nolan’s Seven Principles of Public life

Principle	Description
Selflessness	Holders of public office should take decisions solely in terms of the public interest.
Integrity	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends.
Objectivity	In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
Honesty	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Holders of public office should promote and support these principles by leadership and example.

PSIAS Attributes

Internal Audit Charter (PSIAS 1000 - 1120)

15. The Internal Audit Charter (the Charter), which has been agreed by the Committee, and is subject to annual review and approval, provides the required information to comply with the PSIAS attributes listed in Exhibit 2. As such this detail is not repeated in the Manual. The Manual will cover all other requirements of PSIAS.

Exhibit 2– PSIAS Attributes Detailed in the Internal Audit Charter

PSIAS Reference	Attribute
PSIAS 1000	Purpose, Authority & Responsibility
PSIAS 1100	Independence & Objectivity
PSIAS 1110	Organisational Independence
PSIAS 1120	Individual Objectivity

Proficiency (PSIAS 1210)

16. The Internal Audit team will work with proficiency and due professional care. The CIA shall be a CCAB accountant or CMIIA internal auditor with suitable experience.
17. The CIA is responsible for recruiting appropriate internal audit staff in accordance with the Council’s recruitment processes. As part of the role the CIA shall:

- ensure that internal audit collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities
- obtain competent advice and assistance where internal audit does not possess the skills, knowledge and other competencies required to perform its responsibilities
- ensure that internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation
- ensure that internal auditors have sufficient knowledge of key information technology risks and controls
- ensure that internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work.

Due Professional Care (PSIAS 1220)

18. In completing planning activities and subsequent audit work internal auditors shall consider the:
- extent of work needed to achieve the engagement's objectives
 - relative complexity, materiality or significance of matters to which assurance procedures are applied
 - adequacy and effectiveness of governance, risk management and control processes
 - probability of significant errors, fraud, or non-compliance
 - cost of assurance in relation to potential benefits.
19. In addition internal auditors exercise due professional care during a consulting engagement by considering the:
- needs and expectations of clients, including the nature, timing and communication of engagement results
 - relative complexity and extent of work needed to achieve the engagement's objectives
 - cost of the consulting engagement in relation to potential benefits.
20. The CIA will ensure that regular conversations take place about performance, behaviours and career/development aspirations in line with the Council's new approach to the PRD process, this will be undertaken on an annual basis.

Quality Assurance and Improvement Programme (PSIAS 1300)

21. The Institute of Internal Auditors (IIA) Practice Guide "Quality Assurance and Improvement Programme" (QAIP) defines a quality assurance and improvement programme as:

"An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. These ongoing and periodic assessments are composed of rigorous, comprehensive processes; continuous supervision and testing of internal audit and consulting work; and periodic validations of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. This also includes ongoing measurement and analyses of performance metrics (e.g. internal audit plan accomplishment, recommendations accepted and customer satisfaction). If the assessments' results indicate areas for improvement by the internal audit activity, the chief audit executive will implement the improvements through the QAIP."

Requirements of the Quality Assurance and Improvement Programme (PSIAS 1310)

22. In accordance with the requirements of PSIAS the CIA has developed and maintains a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated.
23. The QAIP assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. This assessment takes into account quality improvement from both internal and external assessments.

Internal Assessments (PSIAS 1311)

24. At an audit activity level written policies and procedures, covering both technical and administrative matters are formally documented to guide audit staff in consistent conformance with PSIAS and the Code of Ethics. This is demonstrated by:
 - an annual assessment is undertaken, which is reported to the Committee, in order to determine the extent to which Internal Audit conforms to the Standards
 - maintenance of the Charter, setting out the purpose, authority and responsibility of Internal Audit
 - maintenance of the Manual, providing guidance on working practices.
25. Audit work conforms to written policies and procedures. This is demonstrated by:
 - all audit working papers being subject to formal review by the CIA
 - draft and final reports are checked and approved by the CIA and appropriate officers
 - this Manual setting out the various processes to ensure consistent conformance with PSIAS and the Code of Ethics.
26. Post-engagement client surveys to inform lessons learned, self-assessments, and other mechanisms to support continuous improvement are completed. These are issued at the end of each audit engagement with results acted upon and reported to the Committee.

External Assessments (PSIAS 1312)

27. The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) has developed a framework for undertaking external assessments as follows:
 - each local authority will be reviewed once every five years
 - the SLACIAG Committee oversee the framework's implementation and provide a level of scrutiny and quality assurance to ensure the adequacy of the process and to arbitrate over any disputed outcomes as required
 - each authority is allocated another authority to assess
 - each Council's CIA may appoint a team to undertake the assessment of the body to whom it has been appointed, with the CIA being responsible for authorising the final report
 - a qualified assessor, or assessment team, needs to demonstrate competence in two areas: the professional practice of internal auditing; and the external assessment process, and it is for the CIA of the body being assessed to determine whether the assessor or team is sufficiently competent. Where a team is undertaking the inspection, these competencies must be held by the team collectively and not necessarily by all individuals within the team.

28. External assessors express an opinion on the entire spectrum of assurance and consulting work performed (or that should have been performed) by the internal audit activity, including its conformance with the Standards. Assessors also conclude on the efficiency and effectiveness of the internal audit activity in carrying out its charter and meeting the expectations of stakeholders.

Reporting on the Quality Assurance and Improvement Programme (PSIAS 1320)

29. The CIA will report the results of the QAIP, via Committee papers, to the SMT and the Committee.

International Standards for the Professional Practice of Internal Auditing' (PSIAS 1321)

30. The CIA shall only state that the internal audit activity conforms with PSIAS if the results of the QAIP support this.

Disclosure of Non-conformance (PSIAS 1322)

31. The CIA shall report any instances of non-conformance with the PSIAS to the Committee and consider including any significant deviations from the PSIAS in the governance statement where there is evidence to support this.

Performance

Managing the Internal Audit Activity (PSIAS 2000)

32. The work of Internal Audit is specified to deliver upon the requirements of the Annual Internal Audit Plan in accordance with the Charter and this Manual.
33. Internal audit activities are reviewed as part of the each audit assignment prior to the issuing of reports. This is to ensure that the work continues to reflect the definitions per the Charter and the Manual. The Manual in this iteration has been specified to reflect the requirements of the PSIAS published in March 2017.

Planning (PSIAS 2010)

34. The Annual Internal Audit Plan is based on a documented risk assessment process. The Internal Audit plan will be developed based on a prioritisation of those key risks facing the Council including input of the SMT and the Committee. The plan will be flexible in nature, can be updated to reflect the changing risks and priorities of the Council, and will take into account:
- the Council's risk registers and risk management framework
 - a balance of coverage across all operational areas (this constitutes the assurance nature of the plan ensuring an adequate level of internal audit review annually within each service)
 - experience gained from previous Internal Audit activity
 - the impact of national issues (e.g. economic factors, the introduction of new legislation)
 - the impact of local issues (e.g. corporate or service action plans)
 - periodic review of core financial and operational systems
 - the available audit resource and skills
 - staff development and training
 - time needed for the management of the Internal Audit service
 - contingency set aside for consultancy, reviews or investigations
 - liaison with other assurance providers such as the External Auditor and other scrutiny bodies.

35. The risk based plan will include suitable flexibility to reflect the changing risks and priorities of the organisation with this being kept under review by the CIA during the course of the year. Such action may be taken in response to changes in the Council's business, risks, operations, programmes, systems and controls.
36. Internal Audit may also provide consultancy work on the basis that it improves the management of risks, adds value and improves the Council's operations. A specific contingency will be made in the internal audit plan to allow for management requests and consultancy work. The CIA will consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Committee before any significant unplanned consultancy work is accepted.

Communication and Approval (PSIAS 2020)

37. The CIA communicates the planned internal audit activities, along with the resource requirements to the Committee for approval. Any significant revisions in the plan, resource limitations or requirements for additional resources shall be communicated to the SMT and the Committee for approval.

Resource Management (PSIAS 2030)

38. The CIPFA Local Government Application note for applying PSIAS states that '*No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage*'.
39. It is the CIA's responsibility to ensure that resourcing arrangements are in place to deliver the annual risk based internal audit plan and that those resources are flexible enough to cope with special requests. Where applicable the CIA may seek additional input from external providers.
40. The internal audit plan will document the budgeted resource requirements for the audit year. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the plan, the CIA will communicate the impact of resource limitations and significant interim changes to the Committee.

Policies and Procedures (PSIAS 2040)

41. This Manual serves as the Internal Audit's policies and procedures. The Manual is specifically aligned to the provisions of the PSIAS and in complying with the Manual the team are demonstrating compliance with the standards. The Manual is reviewed, and presented to the Committee for approval, on an annual basis.

Coordination and Reliance (PSIAS 2050)

42. The CIA is required to share information as appropriate with other providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.
43. In preparing the Internal Audit Annual Plan, the CIA shall seek to establish the extent to which assurance can be placed on the work planned by external scrutiny bodies such as the Council's External Auditors, Audit Scotland and also any internal control reviews undertaken by local management. This work informs our planned activities for the year with other sources of assurance being used to inform the annual assurance statement as well as future audit planning. However, the

CIA accepts their accountability and responsibility for ensuring adequate support for conclusions and opinions reached by the assurance activity, no matter the source.

Reporting to Senior Management and the Board (PSIAS 2060)

44. The CIA shall prepare and present performance reports to each sitting of the Committee. Performance reports will capture the activities of Internal Audit relative to the plan.
45. Ongoing reporting will also highlight specific issues as they relate to risk exposures, control issues, fraud, governance or any other matters that the CIA deems appropriate for consideration by the Committee. Significant issues will also be captured within the annual internal audit report.

External Provider & Organisational Responsibility for Internal Auditing (PSIAS 2070)

46. Under any circumstances where an external internal audit service provider acts as the internal audit activity, the provider shall ensure that the Council is aware that the responsibility for maintaining an effective internal audit activity remains the responsibility of the Council. This is not applicable in the financial year 2022/23.

Nature of the Work

47. Internal audit activity shall evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach as outlined in the Charter.
48. Planned audit work includes consideration of a number of different types of audit assignments including systems, regularity, performance, consultancy, risk and IT. This varied application of audit resources ensures that different aspects of Council business have been subjected to testing with assurances being sought over a range of activities.

Governance (PSIAS 2110)

49. The work of Internal Audit will include reviews to improve the Council's governance processes for:
 - making strategic and operational decisions
 - overseeing risk management and control
 - promoting appropriate ethics and values within the Council
 - ensuring effective organisational performance management and accountability
 - communicating risk and control information to appropriate areas of the Council
 - coordinating the activities of and communicating information among the Committee, external and internal auditors, other assurance providers and management.
50. The work of Internal Audit shall also consider the design, implementation, and effectiveness of the Council's ethics-related objectives, programmes and activities and that the Council's information technology governance supports the organisation's strategies and objectives.

Risk Management (PSIAS 2120)

51. The work of Internal Audit shall evaluate the effectiveness of the Council's risk management processes by determining whether:
 - organisational objectives support and align with the Council's mission
 - significant risks are identified and assessed
 - appropriate risk responses are selected that align risks with the Council's risk appetite

- relevant risk information is captured and communicated in a timely manner across the Council, thus enabling the staff, management and the board to carry out their responsibilities.
52. Internal Audit will evaluate the risk exposure relating to the Council's governance, operations and information systems regarding the:
- Achievement of the Council's strategic objectives.
 - reliability and integrity of financial and operational information
 - effectiveness and efficiency of operations and programmes
 - safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
53. The consideration of risk shall be included in all audit assignments including those consultancy reports to ensure that they are consistent with the objectives of the engagement.
54. In completing audit assignments internal auditors shall also be alert to other significant risks and note these accordingly – informing management of possible work outside the scope of the audit where appropriate.
55. When assisting management in establishing or improving risk management processes, internal auditors must refrain from managing risks themselves, which would in effect lead to them taking on management responsibility,

Control (PSIAS 2130)

56. The work of Internal Audit evaluates the adequacy and effectiveness of controls in the Council's governance, operations and information systems regarding the:
- achievement of the Council's strategic objectives
 - reliability and integrity of financial and operational information
 - effectiveness and efficiency of operations and programmes
 - safeguarding of assets
 - compliance with laws, regulations, policies, procedures and contracts.
57. Internal auditors will utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes.

Engagement Planning

Engagement Objectives (PSIAS 2210)

58. Auditors are required to ensure that objectives have been agreed for each engagement. Inherent in this process is the need to carry out a preliminary risk assessment and a consideration of the probability of the following, when developing the engagement objectives:
- significant errors
 - fraud
 - non-compliance
 - any other risks
59. At the start of all engagements (including consulting engagements), a Terms of Reference document showing the scope, objectives and associated risks of the review, plus anticipated timelines will be

created. This will be agreed between the CIA and the Internal Audit team member assigned the audit. The Terms of Reference document will also be agreed by the appropriate Head of Service or delegated audit contact.

Engagement Scope (PSIAS 2220)

60. The scope of the audit work should be established so that it is sufficient to satisfy the engagement's objectives. The engagement scope should consider the following relevant areas of the Council (this should also consider relevant areas under the controls of outside parties):

- systems
- records
- personnel
- physical properties.

61. Where significant consulting opportunities have arisen during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be developed and agreed with the CIA.

62. It is accepted that not all areas of a process will be reviewed at each audit, which might include geographical areas; the scope should be sufficient to satisfy the engagement objectives, but should also state, where appropriate, which areas are not covered.

63. For a consulting engagement, the scope of the engagement should be sufficient to address any agreed-upon objectives. If the internal auditors develop any reservations about the scope of a consulting engagement while undertaking that engagement, they are required to discuss those reservations with the relevant officer and the CIA to determine whether to continue with the engagement.

64. During consulting engagements, internal auditors are required to address the controls that are consistent with the objectives of those engagements.

Engagement Resource Allocation (PSIAS 2230)

65. The CIA is required to decide upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on the nature and complexity of each individual engagement, time constraints and the resources available.

66. An initial consideration of the resources required is in the audit plan, but this should be reviewed when the scope and objectives of the engagement are determined.

Engagement Work Programme (PSIAS 2240)

67. The CIA has developed a template work programme which provides a clear link between the programme and the agreed terms of reference and Internal Auditors should use this template for all assignments. The template demonstrates how the work performed meets the agreed engagement objectives.

68. The work programme should be created by the internal audit team member assigned the audit, in discussion with the CIA, and include procedures for identifying, analysing, evaluating and documenting information. Work programmes for consulting engagements may vary in form and content depending on the nature of the engagement. This will require the approval of the CIA.

69. Work programmes must be approved by the CIA prior to implementation for each engagement and amended as necessary.

Performing the Engagement

Identifying Information (PSIAS 2310)

70. Internal auditors are required to identify sufficient, reliable, relevant and useful information to achieve each engagement's objectives.
71. Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

Analysis and Evaluation (PSIAS 2320)

72. When performing audits, internal auditors are required to base their conclusions and engagement results on appropriate analysis and evaluation whilst remaining alert to the possibility of:
 - intentional or unintentional wrongdoing
 - errors and omissions
 - poor value for money
 - failure to comply with Council policy
 - conflicts of interest.

Documenting Information (PSIAS 2330)

73. Internal auditors are required to document the relevant information required to support engagement conclusions and results. This includes the need to ensure that working papers are sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached.
74. Records management must be consistent with the Council's overall document retention policy, which is in turn consistent with the requirements of the Information Commissioner's Office. Internal Audit record keeping must also be consistent with the specific requirements of the area audited, for example EU audits require documents to be kept for 7 years after the last payment has been made.
75. Electronic engagement records are kept in a restricted folder and on Sharepoint. ICT are responsible for the security controls, and the CIA is responsible for specifying who should have access to this.
76. The CIA shall obtain the approval of senior management and/or legal counsel as appropriate before releasing any engagement records to external parties.

Engagement Supervision (PSIAS 2340)

77. All internal audit engagements shall be properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed.
78. Appropriate evidence of supervision and management review should be documented and retained for each engagement.

Communicating Results

79. Communicating the results of our internal audit work is a crucial aspect of the audit process and is the key link to our stakeholders including the SMT, Heads of Service, Elected Members, the Committee and (where appropriate) the public.

Criteria for Communicating (PSIAS 2410)

80. All audit reports are to be drafted using the template developed by the CIA. This template requires, as a minimum, the overall audit opinion, executive summary, objectives and summary assessment, detailed findings, and an action plan. Any deviation from the template report requires approval by the CIA.
81. Prior to issuing the draft report internal auditors are required to discuss the draft findings with the appropriate officers to confirm factual accuracy. This will generally be carried out at a clearance meetings and a template has been created to facilitate and document that meeting.
82. Where auditors make recommendations and include an action plan, such recommendations are graded to allow the significance of findings to be ascertained.
83. Action plans will include a management response that sets out the agreed action and timescales for the completion of improvement actions. Internal Audit will enter the agreed actions and timescales in the internal audit follow up database.
84. Where there are any areas of disagreement between the internal auditors and management, which cannot be resolved by discussion, such disagreements should be recorded in the action plan and the residual risk highlighted. As all audit reports are reported to the Committee in their entirety this disagreement will be reported to the Committee as and when the report is presented.
85. In completing audit activities auditors are required to include and disclose all material facts identified as part of their audit work and subsequent reports which, if not disclosed, could distort their reports or conceal unlawful practice. Such disclosures should be made with reference to confidentiality requirements or other considerations that may preclude the release of information into the public domain.

Quality of Communications (PSIAS 2420)

86. The work of Internal Audit should always seek to ensure that communications are accurate, objective, clear, concise, constructive, complete, and timely.

Errors and Omissions (PSIAS 2421)

87. It is the CIA's responsibility to ensure that where a final report contains a significant error or omission, subsequent changes, revisions or corrections are communicated to all parties who received the original communication.

Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing' (PSIAS 2430)

88. Internal Audit planning and the production of the audit reports will include reference to work being carried out 'in conformance with the PSIAS'. Such disclosure requires underlying activities, such as the results of any QAIP and an assessment of conformance with the Manual. Such a statement can only be made where there is work to support this disclosure.

Engagement Disclosure of Non-Conformance (PSIAS 2431)

89. Where any non-conformance with the PSIAS or Code of Ethics has impacted on a specific engagement, the communication of the results should include the following disclosures:
 - the principle(s) or rule(s) of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved
 - the reason(s) for non-conformance
 - the impact of non-conformance on the engagement and the engagement results.

Disseminating Results (PSIAS 2440)

90. The CIA is responsible for determining the circulation of audit reports within the Council. This circulation should be mindful of confidentiality or the possibility of other legislative requirements. Standard practice is for the report to be issued to the:

- Chief Executive
- relevant Executive Director
- Head of Financial Services
- SMT Admin (for inclusion in SMT meeting)
- key audit contact
- external audit
- the Committee.

91. The CIA shall determine whether there is any specific reason for the distribution list to be amended for any specific report. All audit reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted however this decision will only be taken in consultation with senior management and legal counsel as appropriate.

Overall Opinion (PSIAS 2450)

92. The CIA will deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement.

93. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and include a statement on conformance with the PSIAS and the results of the QAIP.

Monitoring Progress (PSIAS 2500)

94. Internal Audit are responsible for following up on agreed action plans to ensure those actions are properly implemented. On a quarterly basis services are contacted and asked to provide an update on progress against all open action plan points. This is reported to the SMT on a quarterly basis and as a standard agenda item to the Committee. Where a service reports an action has been closed Internal Audit ask for evidence to support that status. All action plan points will remain open until appropriate action is demonstrably taken by management or the risk of no action is formally accepted.

ARGYLL AND BUTE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****16 MARCH 2023**

SCRUTINY FRAMEWORK AND MANUAL ANNUAL REVIEW

1. SUMMARY

- 1.1 This report concludes the annual review to determine whether any changes are required to the Council's Scrutiny Framework and Manual.

2. RECOMMENDATIONS

- 2.1 To note the outcome of the annual review of the Scrutiny Framework and Manual (Appendix 1 & Appendix 2).

3.0 DETAIL

- 3.1 In March 2018 the Committee approved the Council's Scrutiny Framework which incorporated the scrutiny prioritisation process. In June 2018 the Committee endorsed a Scrutiny Manual which provided more detailed guidance on how to carry out a scrutiny review.

- 3.2 In the five years since those two governance documents were approved we have continued to evolve our approach to scrutiny as we have reflected on what works well, where improvements can be made and alternative ways of performing scrutiny in addition to the current Scrutiny Panel approach.

- 3.3 In March 2020 the Committee considered a 'Scrutiny- Lessons Learned' report. The 'Lessons Learned' were those identified by:

- Scrutiny Panel members
- Scrutiny Panel witnesses (both internal and external to the Council)
- the Chief Internal Auditor (CIA and scrutiny officers)

- 3.4 The Lessons learned report also reflected on discussions that had been held during Committees about whether there were different ways that the Committee could perform scrutiny that would complement the Scrutiny Panel approach. For example by inviting council officers to brief the Committees on topics of specific interest.

- 3.5 In April 2021 a development session was held to discuss potential scrutiny topics for review and consider amendments to the scrutiny process.

- 3.6 The scrutiny topic identification, prioritisation and overall approach adopted at that time was outlined to the Committee. The Committee were asked to consider some

key questions and the responses are summarised below:

- There needs to be a degree of flexibility to change topics and to be able to react quickly to an ever changing environment.
- It is for the Committee to determine scrutiny topics
- Depending on the number of emerging topics, the Committee may need to meet more often, however these could be less formal and held virtually
- An annual Scrutiny Plan is not required, topics should be allowed to emerge
- The prioritisation process is there as a tool if needed, but there is no need to assess every scrutiny topic
- There has been value in having full panel meetings but these are resource intensive and scrutiny lite should be adopted where appropriate.

3.7 The Scrutiny Manual (Appendix 1) and Scrutiny Framework (Appendix 2) have been reviewed and no substantial change is required at this time:

3.8 Scrutiny Manual Changes

Page	Para	Summary of Change	Reason for Change
		No changes	

3.9 Scrutiny Framework Changes

Page	Para	Summary of change	Reason for Change
		No changes	

4.0 CONCLUSION

4.1 The CIA has reviewed the Scrutiny Framework and Scrutiny Manual to determine whether any changes were required from those approved in 2022. No substantial changes were required.

5 IMPLICATIONS

- 5.1 Policy - None
- 5.2 Financial –None
- 5.3 Legal –None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None
- 5.6 Climate Change - None
- 5.7 Risk – None
- 5.8 Customer Service – None

For further information please contact Internal Audit (01546 604108)

Paul Macaskill

Chief Internal Auditor

16 March 2023

Appendices

Appendix 1 - Scrutiny Manual

Appendix 2 - Scrutiny Framework

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Argyll and Bute Council

Scrutiny Manual

March 2023



Contents

Introduction 3

Scrutiny Reviews..... 3

Stage 1-2 – Scoping and Identifying Required Evidence..... 4

Stage 3 – Evidence Gathering..... 4

 Written and Secondary Evidence..... 5

 Oral Evidence..... 5

 Council Officers/Elected Members Providing Evidence 5

 External Experts Proving Evidence..... 6

Stage 4-5 - Conclusions and Reporting 6

Appendix 1 – Guidelines for Officers Attending Scrutiny Committees 8

Appendix 2 – Guidelines for External Experts Attending Scrutiny Committees10

Introduction

1. In March 2021 the Audit and Scrutiny Committee (the Committee) approved Argyll and Bute Council's (the Council) updated Scrutiny Framework (the Framework). This was first approved in March 2018 and it establishes the framework for scrutiny within the Council. It is for the use of anyone involved in the scrutiny process including:
 - members of the Audit and Scrutiny Committee
 - all elected members of the Council
 - staff involved in the scrutiny process and those who may be required to provide evidence as part of a scrutiny review
 - members of the public, partners and external organisations who may be invited to provide evidence as part of a scrutiny review.
2. The Framework sets out the process adopted to identify scrutiny topics and confirms that the Chief Internal Auditor (CIA) will develop and maintain guidance on the performance of scrutiny reviews. This manual, first approved by the Committee in 2018 and last updated in March 2022, provides that guidance and is designed to be a reference tool for officers carrying out scrutiny reviews, it is not intended to be prescriptive, but to help ensure the scrutiny review process is a more structured and informed one.

Scrutiny Reviews

3. Scrutiny reviews can be broken down into five stages as illustrated in exhibit 1. The process is cyclical as it can be necessary to revisit earlier steps as the review progresses.

Exhibit 1 – Five Stages of a Scrutiny Review



Stage 1-2 – Scoping and Identifying Required Evidence

4. Initially the identified scrutiny topic may be quite loosely defined. If it is required to be assessed against the prioritisation process defined in the Framework there may already have been a need for it to be clarified. However, if chosen for scrutiny, further clarification may be required to help determine a precise focus. This should be carried out by the appointed scrutiny officer in consultation with the topic proposer and the appropriate council service.
5. Once the topic is clearly defined the scope of the review should be determined. In particular we need to establish the:
 - purpose and objectives
 - specific areas to be covered and any exclusions
 - approach to be adopted
 - evidence required
 - people to be interviewed or invited to give evidence
 - anticipated outputs
 - timescales.
6. Defining the scope of the review will normally happen during an initial panel briefing meeting which is attended by the three Scrutiny Panel members (a subset of the Audit and Scrutiny Committee), the CIA and the appointed scrutiny officer.
7. That initial panel should also agree indicative timescales for panels to allow a provisional plan for the key stages of the review to be created.
8. Once the Scrutiny Panel have agreed the scope and objectives they should be shared with all members of the Audit and Scrutiny Committee. This will be done by e-mail as waiting for the next meeting of the Committee might result in too much time elapsing.

Stage 3 – Evidence Gathering

9. When considering how the evidence is to be gathered it is important to remember there is no definitive process. Every scrutiny review will be different and there are a range of different approaches that should be considered. These include:
 - public meetings
 - surveys
 - workshops / focus groups
 - site visits (internal and external)
 - sourcing data and reports
 - literature research
 - SWOT/PESTLE analysis
 - investigating good practice
 - reviewing performance and financial data including trends and comparisons
 - process mapping
 - investigating potential collaborators and/or alternative suppliers
 - interviewing experts
 - working with officers and elected members to research issues.
10. The evidence can be categorised as either ‘written and secondary evidence’ or ‘oral evidence’.

Written and Secondary Evidence

11. This includes:

- written evidence from internal and external individuals and organisations
- notes taken by the scrutiny officer during interviews or site visits
- existing council plans, policies, strategies, and reports relevant to the subject area
- relevant national guidance, legislation and documentation
- relevant guidance, good practice guides from national and regional bodies
- good practice and innovative reports and plans from other councils.

12. All written evidence considered as part of the review should be kept on file and retained in a manner consistent with the requirements of the Council's records management plan. These files be stored on a SharePoint site managed by Scrutiny Officers.

Oral Evidence

13. The gathering of written evidence may identify a benefit in inviting internal and external individuals to provide oral evidence either to the scrutiny officer as part of the review, or directly to the Committee at an informal and private meeting. The scrutiny process should be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly.

14. It is important that, all internal and external individuals invited to give evidence, are:

- treated with courtesy and respect
- given ample notice of the time, date and place of meeting
- informed of the review scope
- provided with questions, or the line of questioning, in advance with an explanation that this will not be a restrictive list
- provided with copies of any relevant reports, papers and background information
- given the opportunity to submit written evidence in advance of the meeting which is circulated to Committee members
- given the opportunity to decline or to submit written evidence instead of appearing in person
- introduced to the Committee chair prior to the meeting commencing.

15. Minutes from any scrutiny panels should be circulated to scrutiny panel members, and any council officer or external individuals that participated in the panel to enable them to comment on the factual accuracy of the minute before they are finalised. When these are issued a timescale for response should be provided with a statement that they will be accepted as correct if no response is received by the stated timescale.

Council Officers/Elected Members Providing Evidence

16. Council officers invited to give evidence would normally be third tier managers or above (although this could extend to other elected members). The officers to be invited must be agreed with the relevant member of the Council's Senior Management Team and/or relevant Head of Service to ensure they have the necessary knowledge of the topic.

17. The evidence giving process must be seen as being supportive of scrutiny and not an opportunity to be critical of any officer giving evidence. Questions asked of officers must be focused on reviewing the policies and performance of the Council in relation to the topic being scrutinised. Scrutiny should

never be used to question the capability or competence of officers, or about matters of a disciplinary nature, and questions should never be asked in a way that may be considered confrontational.

18. 'Guidelines for Officers Attending Scrutiny Committees' are included at Appendix 1. A copy of these guidelines should always be provided to officers prior to them attending meetings.

External Experts Proving Evidence

19. External experts can be an essential part of undertaking a scrutiny review and their evidence can be a valuable source of information. Providing information to a scrutiny review or attending a scrutiny committee may be a new experience to some and it should be remembered that external experts are attending on a voluntary basis. It is incumbent on the scrutiny team and Committee members to ensure their experience is positive and stress-free.
20. External experts can be drawn from a wide range of individuals and organisations, for example:
 - elected Members and officers from other councils
 - other external public sector bodies
 - voluntary sector organisations (local, regional and national)
 - professional associations
 - trade unions
 - private sector
 - user groups (local, regional and national)
 - community groups
 - experts in the subject area (academics, public or private sector managers).
21. 'Guidelines for External Experts Attending Scrutiny Committees' are included at Appendix 2. A copy of these guidelines should always be provided to witnesses prior to them attending meetings.

Stage 4-5 - Conclusions and Reporting

22. At the end of a review a draft report should be produced which provides a full picture of the issues under consideration and contains key findings and learning points. The report must be evidence based and relate directly to the review scope.
23. Learning points should focus on delivering improvements in service delivery, policy or strategic direction. The scoping phase of the review will have identified the purpose and objectives of the review and the final report should be closely aligned to those objectives. A template for the report has evolved as the scrutiny process has developed between 2018 and 2021 however we should remain flexible about how we report on scrutiny work as there could be occasions where a different approach might be beneficial. However, as a minimum, the output should include:
 - executive summary
 - introduction (including the background, scope and approach)
 - findings
 - learning points
 - appendices (where required)
24. The draft report should be agreed with the Scrutiny Panel members before being discussed and cleared with the relevant council officers at a meeting attended by the Chair of the Scrutiny Panel, the CIA and possibly the appointed Scrutiny Officer.

25. Once the Scrutiny Panel are satisfied the report can be finalised and submitted to the next scheduled Committee meeting for endorsement, the Committee will also determine at this meeting which, if any, of the other council committees the report should be submitted to for consideration.
26. All scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted however this decision will only be taken in consultation with senior management and legal counsel as appropriate.

Appendix 1 – Guidelines for Officers Attending Scrutiny Committees

Giving Evidence to the Audit & Scrutiny Committee – A Guide for Council Officers

Introduction

This document provides guidance to Council staff who have been asked to provide written or oral evidence to the Audit and Scrutiny Committee (the Committee). Scrutiny is a key component of good governance which helps the Council improve our decision making, policy development & implementation and service delivery.

What is the Committee?

The Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it is not a political committee and should always conduct itself impartially.

What does the Committee do?

The overall remit of the scrutiny element of the Committee is to *'perform a scrutiny role through the provision and delivery of scrutiny work focused on improving the performance of the Council.'*

In summary it considers the performance of the Council, looking at the effectiveness of policies and service delivery and identifies areas for improvement with, wherever possible, a key focus on outcomes for the community rather than inputs. As such scrutiny adopts a 'critical friend' approach to help promote continuous improvement. The committee does not make policy and does not take decisions about the operation of council services, but it may make recommendations to Council on policy matters.

Scrutiny Support

The Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for carrying out scrutiny reviews and drafting the scrutiny reports for the Committee.

The Chief Internal Auditor is responsible for ensuring that officers giving evidence are given good advance notice of any invitation to meet committee members, are properly briefed about the arrangements for the meeting and receive adequate notice of the questions to be discussed at the meeting. If you have any queries about scrutiny or your participation in it then please contact the Chief Internal Auditor (audit.internal@argyll-bute.gov.uk)

Why have you been invited?

You have been asked to meet the Committee because you have knowledge or expertise that is relevant to the topic being reviewed. The meeting also provides you with the opportunity to express your views on any strengths, weaknesses and possible areas for improvement.

What are the arrangements for meeting members of the Committee?

You will be contacted by phone or e-mail by an officer supporting the committee. The officer will explain:

- why you have been invited
- background information about the committee
- background about the topic being investigated

- arrangements for your attendance.

Approximately two weeks before the meeting, you will be sent key themes which will form the basis of the discussion with the committee. This will allow you to come prepared and seek out any information that you may need in advance.

You should inform your line manager that you have been invited to the meeting. If you have any problems or questions, please contact the Chief Internal Auditor.

Meeting location

Historically these meetings take place in one of the Council's administrative buildings however the impact of the COVID pandemic makes it more likely they will be virtual meetings.

What happens at the meeting?

The meetings are informal and are conducted in an open and friendly manner and usually last no longer than two hours. Officers who support the Committee and any independent external expert will also be present. The Chair or nominated lead will open the meeting by welcoming and introducing those present and outlining the process. The key themes will be discussed and you should be open and honest in your responses and feel free to raise additional issues related to the topic.

Please be aware that your participation in the process is very much seen as being supportive of scrutiny and is appreciated by all the Committee members. The scrutiny process is designed to be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly. It is not an opportunity for Committee members to be critical of any officer giving evidence or to question the competence of any officer. Questions will be focused on reviewing the policies and performance of the Council in relation to the topic being scrutinised.

Notes will be taken of the discussion at the meeting. The meetings are held in private and notes of the evidence will not become record until you have agreed to them.

What happens after the meeting?

After the meeting, you will be sent a summary note of the discussion. You are entitled to make any additions, deletions or amendments to this note and these should be highlighted and the document returned. The note is confidential until it has been agreed by all witnesses. Once the Committee has heard all the evidence, and drawn its conclusions and recommendations, a briefing or report will be written and submitted to a formal meeting of the Committee. At this meeting the Committee will also determine which of the other council committees the report should be submitted to for consideration. This could be to full Council, to the Policy & Resources Committee or to one of the service committees. Scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted.

Appendix 2 – Guidelines for External Experts Attending Scrutiny Committees

Giving Evidence to the Audit & Scrutiny Committee – A Guide for External Experts

Introduction

This document provides guidance to external witnesses who have been asked to provide written or oral evidence to the Audit and Scrutiny Committee (the Committee). Scrutiny is a key component of good governance which helps the Council improve its decision making, policy development & implementation and service delivery.

What is the Committee?

The Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it is not a political committee and should always conduct itself impartially.

What does the Committee do?

The overall remit of the scrutiny element of the Committee is to *'perform a scrutiny role through the provision and delivery of scrutiny work focused on improving the performance of the Council.'*

In summary it considers the performance of the Council, looking at the effectiveness of policies and service delivery and identifies areas for improvement with, wherever possible, a key focus on outcomes for the community rather than inputs. As such scrutiny adopts a 'critical friend' approach to help promote continuous improvement.

The Committee does not make policy and does not take decisions about the operation of council services, but it may make recommendations to Council on policy matters.

How does the Committee work?

The Committee collects evidence from a wide variety of sources including:

- written evidence from a range of internal and external individuals and organisations
- notes taken by the scrutiny team during interviews or site visits
- existing council plans, policies, strategies, and reports relevant to the subject area
- relevant national guidance, legislation and documentation
- relevant guidance, good practice guides from national and regional bodies
- good practice and innovative reports and plans from other councils.
- questioning witnesses, experts and relevant community groups
- surveys and questionnaires.

Scrutiny Support

The Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for supporting scrutiny reviews and drafting the scrutiny reports for the Committee.

The Chief Internal Auditor is responsible for ensuring that external experts giving evidence are given good advance notice of any invitation to meet committee members, are properly briefed about the arrangements for the meeting and receive adequate notice of the themes to be discussed at the meeting. If you have any queries about scrutiny or your participation in it then please contact the Chief Internal Auditor (audit.internal@argyll-bute.gov.uk)

Why have you been invited?

You have been asked to meet the Committee because you have knowledge or expertise that is relevant to the topic being reviewed. The meeting also provides you with the opportunity to express your views on any strengths, weaknesses and possible areas for improvement.

What are the arrangements for meeting members of the Committee?

You will be contacted by phone or e-mail by an officer supporting the committee. The officer will explain:

- why you have been invited
- background information about the committee
- background about the topic being investigated
- arrangements for your attendance.

Approximately two weeks before the meeting, you will be sent key themes which will form the basis of the discussion with the committee however the Committee may not restrict itself to these themes. This will allow you to come prepared and seek out any information that you may need in advance. You are welcome to send an initial written response to these themes before the meeting takes place however this is entirely optional.

Meeting location

Historically these meetings take place in one of the Council's administrative buildings however the impact of the COVID pandemic makes it more likely they will be virtual meetings.

What happens at the meeting?

The meetings are informal and are conducted in an open and friendly manner and usually last no longer than two hours. Officers who support the Committee and any internal or external experts may also be present. The Chair or nominated lead will open the meeting by welcoming and introducing those present and outlining the process. The key questions will be discussed, with supplementary questions being asked where appropriate. The scrutiny process is designed to be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly.

Notes will be taken of the discussion at the meeting. The meetings are held in private and notes of the evidence will not become record until you have agreed to them.

What happens after the meeting?

After the meeting, you will be sent a summary note of the discussion. You are entitled to make any additions, deletions or amendments to this note and these should be highlighted and the document returned. The note is confidential until it has been agreed by all witnesses. Once the Committee has heard all the evidence, and drawn its conclusions and recommendations, a briefing or report will be written and submitted to a formal meeting of the Committee. At this meeting the Committee will also determine which of the other council committees the report should be submitted to for consideration. This could be to full Council, to the Policy & Resources Committee or to one of the service committees.

Scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted.

Am I obliged to attend?

Whilst your participation in the process will be very much appreciated by all the Committee members you are, of course, under no obligation to attend. If you do not wish to be involved in the process or would prefer to just submit written evidence rather than attending to give oral evidence then you are perfectly entitled to make that choice.

Expenses

As you have been invited to attend a meeting the Council would reimburse you for any reasonable travelling expenses.

Argyll and Bute Council
Scrutiny Framework
March 2023



Table of Contents

Introduction.....	3
What is Scrutiny?.....	3
Audit and Scrutiny Committee.....	4
Principles of Good Scrutiny.....	4
Scrutiny Support.....	4
Developing the Scrutiny Work Programme.....	5
Scrutiny Reviews.....	5
Appendix 1 – Audit and Scrutiny Committee Terms of Reference (Scrutiny element only).....	6
Appendix 2 – Scrutiny Prioritisation Process Stages 1 and 2.....	7
Appendix 3 – Scrutiny Prioritisation Process Stage 3.....	8

Introduction

1. The purpose of this document is to explain the framework for scrutiny at Argyll and Bute Council (the Council). It is for the use of anyone who has any involvement in the scrutiny process including:
 - members of the Audit and Scrutiny Committee
 - all elected members of the Council
 - staff involved in the scrutiny process and those who may be required to provide evidence as part of a scrutiny review
 - members of the public, partners and external organisations who may be invited to provide evidence as part of a scrutiny review.
2. In 2017 a decision was taken that the responsibility for the remit of scrutiny would move to a newly established Audit and Scrutiny Committee. The Committee approved a new Scrutiny Framework in March 2018 and this updated version was approved by the Committee in March 2022.

What is Scrutiny?

3. Overview and scrutiny committees were established in England and Wales under the Local Government Act 2000 to provide the opportunity for members of the Council to examine services provided, ask questions on how decisions have been made and consider whether service improvements can be delivered.
4. In Scotland there is no requirement for scrutiny established by statute and consequently scrutiny committees in Scotland have no prescribed powers. This contrasts with the position in England and Wales where scrutiny committees have formal powers to require council officers and elected members to give evidence, require information from the council and require a response to any recommendation put to the council's management team.
5. Whilst there is useful guidance available there is no definitive view on what the role and objectives of scrutiny are in Scotland. Consequently this provides the Council with the opportunity to frame the delivery of governance in the way it feels is most beneficial. The Council's approach to scrutiny focuses on:
 - reviewing the council's effectiveness in achieving policy objectives
 - assessing the impact of council policies
 - making suggestions for improvement.
6. As the primary focus of scrutiny is on council policy it is appropriate to provide a definition of policy.

'Policy – A policy is a formal, concise, accessible statement on how the council intends to conduct business and deliver services. Generally it will be a statement of intent with rules that influence and enable decision making. A policy statement will lessen the risk of conflict and remove the opportunity for unfair selective application of rules'.

Audit and Scrutiny Committee

7. The Council is made up of 36 elected members representing the 11 wards of Argyll and Bute. Elected members play a key role in the Council through their involvement in full council meetings and their representation on the Council's strategic and area committees. A degree of scrutiny is carried out at these committees through performance reporting, ongoing monitoring of service delivery and the consideration of the conclusions from the Council's Performance Improvement Framework (PIF) which sets out the Council's approach to continuous improvement and the agreed mechanism for achieving best value across all services. It is therefore important that the Audit and Scrutiny Committee do not replicate any of the existing scrutiny arrangements and focus its resources in an efficient manner which complements those arrangements.
8. In particular, when assessing potential topics for scrutiny, the Committee should ensure the topic is not already being considered by an existing committee (area or strategic). The Audit and Scrutiny Committee should not generally be seen as the first committee to contact in relation to a topic meriting potential review nor should it be seen as a committee to deal with complaints.
9. The Audit and Scrutiny Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it should be stressed that it is not a political committee and should always conduct itself impartially.
10. The terms of reference for the scrutiny element of the Audit and Scrutiny Committee are included in Appendix 3 to this framework however its overall remit is to 'perform a scrutiny role through the provision and delivery of scrutiny work focused on improving the performance of the Council.' The remit of the Audit and Scrutiny Committee would extend to those organisations with whom the Council have entered into any form of formal agreement with for the delivery of statutory services, this would include the Health & Social Care Partnership and Live Argyll. The Audit and Scrutiny Committee is required to meet at least four times every year.

Principles of Good Scrutiny

11. To ensure scrutiny is effective the Centre for Public Scrutiny has put forward four key principles. They being that scrutiny should:
 - provide a 'critical friend' challenge to the council, council officers and agencies
 - reflect the voices and concerns of residents and communities
 - drive improvement in the delivery of public services
 - be delivered by independent minded members.
12. These principles underpin the work of the Council's Audit and Scrutiny Committee.

Scrutiny Support

13. The Audit and Scrutiny Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for carrying out scrutiny reviews and drafting the scrutiny reports for the Committee. This ensures impartiality and access to appropriate skills and experience to effectively investigate any aspect of council activity.

Developing the Scrutiny Work Programme

14. The Audit and Scrutiny Committee will identify topics for scrutiny whilst maintaining a degree of flexibility to change these as new topics emerge in an ever changing environment. As there is only a finite amount of resource available to perform scrutiny a clear and transparent prioritisation process has been adopted for assessing multiple potential topics to determine those most likely to have a positive impact on council performance. The prioritisation process will only be required if there is insufficient resource to review all the topics identified by the Committee or if there is any question over whether reviewing the topic would be of material benefit.
15. Stage 1 asks five filtering questions to determine whether the topic passes to stage 2 or is rejected at stage 1. Stage 2 is used to determine whether the topic should be considered as a high or medium priority topic. Appendix 2 illustrates the two stage process.
16. Stage 3 of the prioritisation process applies a weighted scoring system to those topics that successfully progressed from stages 1 and 2. The topic is assessed against eight criteria with weighted scores allocated to each criteria. An overall score is then reached for the topic and this allows the topics with the highest overall score to be prioritised. The score allocated to each criteria will require an appropriate balance of subjective and objective analysis. Appendix 3 illustrates stage 3 of the prioritisation process. There may be circumstances where there is an emerging issue which cannot be fully assessed using the prioritisation process due to there being a lack of supporting evidence. In this circumstance the prioritisation process will still be completed with the selected answers based on a realistic expectation rather than historic evidence. This provides scope for the Audit and Scrutiny Committee to determine whether a topic should be scrutinised despite not being fully subject to the agreed process.

Scrutiny Reviews

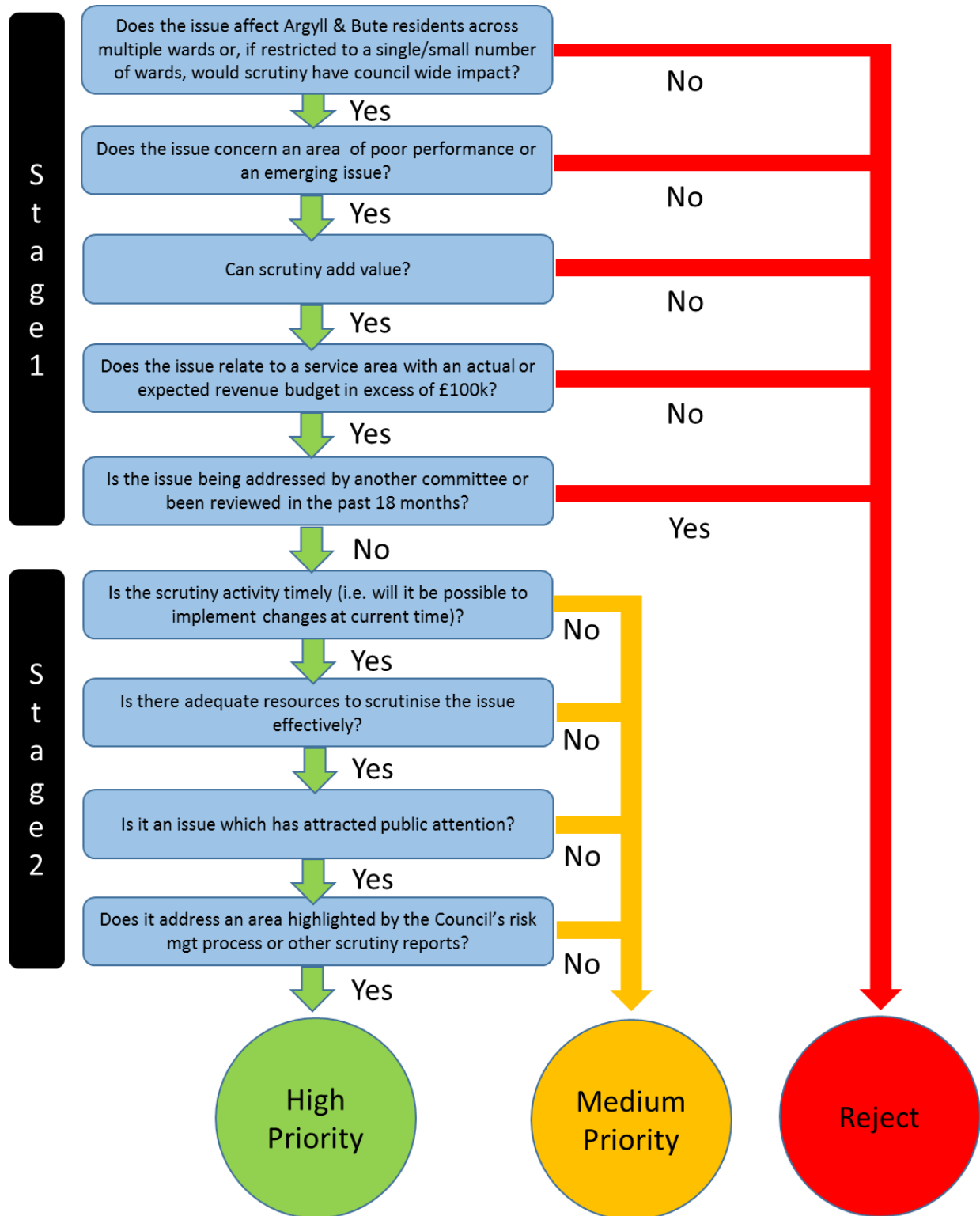
17. Scrutiny reviews are carried out by the scrutiny officer who reports to the Chief Internal Auditor. A review follows a five stage process as set out below:
 - Stage 1 – Scoping
 - Stage 2 – Identifying evidence required and key stakeholders
 - Stage 3 – Evidence gathering
 - Stage 4 – Conclusions and recommendations
 - Stage 5 – Submission of final report
18. Guidance on each of these stages will be developed and maintained by the Chief Internal Auditor.
19. Between 2018 and 2021 scrutiny activity has involved the ‘full panel’ approach which is appropriate for large scale reviews however may be less appropriate if the Committee want to review an emerging issue or where there may be an alternative way of performing scrutiny. Consequently the scrutiny process has evolved to consider alternative ways to perform scrutiny which complement the full panel approach. For example the Committee may wish to invite officers to prepare a formal report or a presentation on a particular topic for Committee to consider or invite them to attend a development session for a more informal discussion.

Appendix 1 – Audit and Scrutiny Committee Terms of Reference (Scrutiny element only)

- To oversee and co-ordinate the scrutiny function including approval of the scrutiny framework and associated policies or procedures.
- To scrutinise the performance of the Council in relation to the achievement of policy objectives and performance targets in relation to all functions of the Council.
- To identify topics for scrutiny work in relation to the performance of the Council and funded third party organisations.
- To consider and make recommendations in respect of scrutiny reports brought to the Committee for consideration.
- To monitor the implementation of scrutiny recommendations accepted by the Council.
- To provide an annual report to the Council on the work of the scrutiny function .
- To periodically review the scrutiny function to ensure it is operating effectively.
- To receive the Council performance report.

Note that the responsibility for scrutiny at service committee level will be incorporated into the service committee terms of reference.

Appendix 2 – Scrutiny Prioritisation Process Stages 1 and 2



Appendix 3 – Scrutiny Prioritisation Process Stage 3

TOPIC TITLE:	Increasing recycling rates						
SUBMITTED BY:	AN Other						
DATE OF SUBMISSION:	08 November 2017						
STAGE 2 ASSESSMENT OUTCOME:	Medium Priority						
	QUESTION	OPTIONS	SELECTION	SCORE	WEIGHTING	TOTAL SCORE	JUSTIFICATION FOR SELECTION
1	What is the current performance based on the council's performance scorecard?	> 10% under target < 10% under target < 10% over target > 10% over target Not applicable	< 10% over target	2	3	6	Business outcome BO24 - Waste is disposed of sustainably has two performance measures. Reduction in waste to landfill of 21,500 and % of waste recycled, composted and recovered of 40%. Current performance is 9,932 and 49.3%. This means we are under target by 54% for target reduction but 23% over for % recycled. As the focus of the topic is increasing recycling the Committee decided to focus on the missed target for reduction.
2	To what extent does the issue contribute to a business outcome aligned to the Council's corporate plan?	Major contribution Significant contribution Medium contribution Slight contribution No contribution	Medium contribution	2	3	6	Whilst recycling is not specifically referenced in the corporate plan, business outcome BO24 ' features in the Roads & Amenity Services service plan. The plan references one of the challenges to the service as being 'Delivery of a revised waste strategy that is affordable and compliant'
3	To what extent is this issue being highlighted as a public concern?	Widespread Significant Medium Slight Not applicable	Slight	1	2	2	There has been a degree of interest and campaigning by local environmental groups however this is not considered to be Council wide and has been mainly isolated to two ward areas.
4	What is the revenue budget commitment to this area of service?	>1m 500k-1m 250k-500k 100k-250k	>1m	4	3	12	Business outcome BO24 has an allocated revenue budget of £11.7m
5	In the past three years what is the pattern of budget performance for this area?	Major under/over spend Significant over/under spend Medium over/under spend Slight over/under spend Largely on budget	Slight over/under spend	1	2	2	Outurns in the previous three financial years have been consistently over budget however in none of these occasions has the budget been exceeded by more than 1.5%.
6	What is the status of national legislation on the issue?	Failure to implement = penalties Current legislation Definite future legislation Possible future legislation Not applicable	Definite future legislation	2	2	4	The service plan established that there is future legislation which will impact upon the service however the full detail of that legislation is not currently clear. Discussion with the Head of Service confirmed that it is likely to involve financial penalties if recycling rates are missed.
7	How widespread is the impact of the issue?	Council wide Multiple wards Single ward Small no of residents No impact	Council wide	4	1	4	For the council to meet future recycling targets our reduction in land fill will need to be improved across all wards. Simply focusing on one or two areas will not deliver the required improvement in performance.
8	Does the issue feature in the Council's risk management registers?	Yes - red risk Yes - amber risk Yes - green risk No	Yes - amber risk	3	3	9	The ORR for D&I includes the following which are relevant to recycling. (RA06-01) Demand Risk - Failure to reduce environmental impact through minimisation of waste to landfill and increasing recycling rates – risk score 8 (RA06-02) Demand Risk – Recycling targets increase – risk score 8
					WEIGHTED TOTAL	45	
					HIGH / MEDIUM FACTOR	1	
					TOTAL SCORE	45	

ARGYLL AND BUTE COUNCIL**Audit and Scrutiny Committee****Legal and Regulatory Support****16 March 2023**

Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA)**Annual report**

1.0 HEADLINES

1.1 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) places a requirement on public authorities to authorise certain types of covert surveillance during planned investigations.

1.2 The Scottish Government Code of Practice on Covert Surveillance and Property Interference requires an annual report on the use of RIPSA to be reported to Members ('the code of practice')

2.0 RECOMMENDATIONS

2.1 The Audit and Scrutiny Committee consider and note the terms of the report.

3.0 DETAIL

3.1 Regulation of Investigatory Powers (Scotland) Act 2000 places a requirement on public authorities to authorise certain types of covert surveillance during planned investigations.

3.2 The Council has a policy and procedure in place that allows for appropriate authorisation of requests for covert surveillance to be considered/approved/refused and monitored through to completion.

3.2 Between 1 January 2022 and 31 December 2022 the Council undertook no covert surveillance operations.

4.0 CONCLUSION

4.1 The Council has met the requirements of the code of practice by providing this report to Committee.

5.0 IMPLICATIONS

- 5.1 Policy – None
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR - None
- 5.5 Fairer Duty Scotland – None
 - 5.5.1 Equalities – None
 - 5.5.2 Socio-Economic – None
 - 5.5.3 Islands – None
- 5.6 Climate Change - None
- 5.7 Risk – None
- 5.8 Customer Service - None

Douglas Hendry - Executive Director with responsibility for Legal and Regulatory Support

20 February 2023

For further information contact: Iain Jackson, Governance, Risk and Safety Manager 01546 604188

APPENDICES

None

Audit & Scrutiny Committee Work Plan 2022 – 2023

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

Report	Lead Service	Regularity
16 March 2023	Reports to Committee Services by 20 February 2023	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee 2023/24	Chief Internal Auditor	Quarterly
Internal Audit – External Quality Assessment	Chief Internal Auditor	Once every 5 years
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
RIPSA Annual Report	Governance and Risk Manager	Annual
Internal Audit 2023/24 Plan	Chief Internal Auditor	Annual
External Audit – 2022/23 Annual Plan	Mazars	Annual
2021/22 Unaudited Annual Accounts Preparation Plan and Timetable	Head of Financial Services	Annual
Treasury Management Strategy and Annual Investment Strategy	Head of Financial Services	Annual
Progress against Best Value Action Plan Update	Chief Executive/Head of Customer Support Services	Annual
Internal Audit Charter and Internal Audit Manual	Chief Internal Auditor	Annual
Scrutiny Manual and Framework Update	Chief Internal Auditor	Annual
15 June 2023	Reports to Committee Services by 22 May 2023	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee	Chief Internal Auditor	Quarterly
•		
External Audit Update Report	Mazars	Quarterly

Audit & Scrutiny Committee Work Plan 2022 – 2023

Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
Council Performance Report – October 2022 to March 2023	Head of Customer Support Services	Bi-Annual
Audit Scotland Report – Financial Overview 2021/22 (<i>Usually comes in March – delayed in 2022</i>)	Head of Financial Services	Annual
Strategic Risk Register Update	Chief Executive	Annual
Internal Audit 2022/23 Annual Report	Chief Internal Auditor	Annual
Review of Code of Corporate Governance	Governance, Risk and Safety Manager	Annual
External Audit 2022/23 Management Report	Mazars	Annual
Local Government Benchmarking Framework Report	Head of Customer Support Services	Annual
Unaudited Financial Accounts	Head of Financial Services	Annual
Local Government in Scotland: Challenges and Performance 2023	Mazars	Annual
XX September 2023	Reports to Committee Services by XX August 2023	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee	Chief Internal Auditor	Quarterly
External Audit Update Report	Mazars	Quarterly
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
PSIAS Self-Assessment	Chief Internal Auditor	Annual
Local Government Benchmarking Framework Report	Head of Customer Support Services	Annual
Corporate Complaints Annual Report 2021/22	Governance, Risk and Safety Manager	Annual
Freedom of Information Annual Report 2021/22	Governance, Risk and Safety Manager	Annual
Audit & Scrutiny Committee 2021/22 Annual Report	Audit & Scrutiny Committee Chair	Annual
Strategic Risk Register – Assurance Mapping	Chief Internal Auditor	Annual
Strategic Risk Register Update	Chief Executive	Annual
Trust Fund Annual Accounts	External Audit	Annual

Audit & Scrutiny Committee Work Plan 2022 – 2023

Local Government in Scotland Overview 2022	Mazars	Annual
Counter Fraud Annual Update (End of 2 year pilot)	Chief Internal Auditor	Annual
XX December 2023	Reports to Committee Services by XX November 2023	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee <ul style="list-style-type: none"> • Early Years • Heritage Assets 	Chief Internal Auditor	Quarterly
External Audit Update Report	Mazars	Quarterly
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
Council 6-month Performance Report – April to September 2022	Chief Executive/Head of Customer Support Services	Bi-Annual

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ARGYLL AND BUTE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

FINANCIAL SERVICES

16 MARCH 2023

INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2022/2023**1. EXECUTIVE SUMMARY**

- 1.1 There are four audits being reported to the Audit and Scrutiny Committee.
- 1.2 The table below provides a summary of the conclusions for the audits performed. The full reports are included as appendices to this report.

Audit Name	Level of Assurance	High Actions	Medium Actions	Low Actions	VFM Actions
LiveArgyll Events Management	High	0	0	0	0
Procurement	High	0	0	0	0
Customer Service Centre	High	1	0	5	1
Client Funds (Exempt)	Limited	8	2	0	0

- 1.3 Internal Audit provides a level of assurance upon completion of audit work. A definition for each assurance level is documented in each audit report.

2. RECOMMENDATIONS

- 2.1 Audit and Scrutiny Committee to review and endorse this summary report and the detail within each individual report.

3. DETAIL

- 3.1 A high level summary of each completed audit report is noted below:

Events Management: This audit has provided a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently. Procedures are in place to manage events. The 'Live Events and Shows Process' document outlines the process to be followed from the receipt of an enquiry to post event activities. At each stage of the process the document identifies the staff team responsible for each task. A number of standard template documents are available to assist with the management of events and Eventbrite, an online ticket management system is used to manage ticket sales. Controls are in place over income and expenditure. A standard template is used for revenue projections and income is projected for the following year based on the number of scheduled events. Ongoing budget monitoring arrangements are part of the Service Level Agreement with the Council. Events are actively promoted and marketed, with a number of media resources being used, including Facebook, Instagram and

twitter. In addition to Social Media channels, various other media is used to promote events. Controls are in place for risk management for events and the Council, within the terms of the SLA provide LiveArgyll with health and safety advice, training, audits and incident and near miss investigations. For major/one off events the hirer must hold public liability insurance, this is checked by LiveArgyll prior to the event. Exemptions to this would be private hires by individuals and hires, which are community based, and do not involve a large number of participants such as indoor bowling, tea dances, bridge clubs etc. Within the terms of the SLA, the Council provides insurance cover.

Procurement: This audit has provided a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently. A Procurement Strategy and Sustainable Procurement Policy has been prepared, appropriately approved and published on the Council's website for 2022/25, it contains all of the mandatory elements in compliance with the Procurement Reform (Scotland) Act 2014 (The Act). The Strategy also takes cognisance of Council documents thus contributing towards achieving local and national outcomes. Consultation took place when developing the new strategy and changes were made as a result. Procurement officers are appropriately qualified and trained to carry out their duties, additionally, training materials are available to officers across the Council services who purchase goods and services as part of their duties. The Annual Procurement Report for 2021/22 was prepared, approved and published as required by the Act. Testing indicated that work is performed in compliance with the Strategy and all figures reported in the annual report are accurate.

Customer Service Centre: This audit has provided a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently. There are processes, systems and manuals in place for the handling of customer contacts and enquiries. There would be benefit to updating procedures to reflect current working practices. Performance standards are in place, monitored and reported. There would be benefit to reviewing, with Services some of the lagging indicators due to the limited availability of other real time data. The Customer Service Standard Charter would benefit from a review to reflect the updated performance standards. Customer contacts and enquiries are handled in line with processes and procedures. Staff do not always have up to date information resulting in transfers to Services to resolve. One Service is not engaging appropriately despite the repeated requests from Senior Managers to review and update information. Not all Services have access to the Oracle CRM system used to record customer interactions. An obstacle to monitoring follow up is lack of integration between systems used by Services and Oracle CRM. This means the digital functionality to fully test or establish whether customer contacts and enquiries are followed up in a timely manner is not currently available. The Council's Customer Services Support Team which includes the Customer Engagement Team (CET) have successfully retained its Customer Service Excellence Accreditation, which is externally assessed. The team were specifically praised for their commitment to a first class approach to delivering customer focused services.

Client Funds (Exempt)

4. CONCLUSION

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

5. IMPLICATIONS

- 5.1 Policy - None
- 5.2 Financial - None
- 5.3 Legal - None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty - None
 - 5.5.1 Equalities – None
 - 5.5.2 Socio-Economic Duty – None
 - 5.5.3 Islands Duty – None
- 5.6 Climate Change – None
- 5.7 Risk - None
- 5.8 Customer Service – None

Paul Macaskill
Chief Internal Auditor
16 March 2023

For further information contact:

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APPENDICES

- 1. Events Management
- 2. Procurement
- 3. Customer Services Centre (To follow)
- 4. Client Funds

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LiveArgyll
Internal Audit Report
January 2023
FINAL

Events Management

Audit Opinion: High

	High	Medium	Low	VFM
Number of Findings	0	0	0	0

CHOOSE ARGYLL. LOVE ARGYLL.

Contents

1. Executive Summary	3
Introduction	3
Background	3
Scope	4
Risks	4
Audit Opinion	4
2. Objectives and Summary Assessment	4
3. Detailed Findings	5
Appendix 1 – Audit Opinion	8

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Scrutiny Committee in March 2022, we have undertaken an audit of LiveArgyll's system of internal control and governance in relation to Events Management.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with LiveArgyll officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. There are no agreed actions as a result of this report; however it is the responsibility of management to determine the extent of the internal control system appropriate to LiveArgyll.
3. The contents of this report have been agreed with the appropriate LiveArgyll officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. LiveArgyll was established by the Council and is a company limited by guarantee, governed by its articles of association. This charitable company (charity number SC047545) is fully incorporated and commenced trading on 2 October 2017. The Council provides support services to LiveArgyll as outlined in the Service Level Agreement (SLA), this includes internal audit services to support their governance framework.
5. LiveArgyll is run by board members from the local community, there are 7 Trustees, all of whom are volunteers and support the strategic direction and governance of the company led by the General Manager.
6. LiveArgyll are responsible for operating the Council's leisure facilities, libraries, halls and community centres. The Council continue retain ownership of the assets, however, the day-to-day operations of the facilities is the responsibility of LiveArgyll.
7. Events management within LiveArgyll can include weddings, conferences, charity events, parties and organised concerts. Events mainly take place in the three halls - Coran Halls in Oban, the Queens Hall in Dunoon or the Victoria Hall in Helensburgh.
8. Events management is the process of planning and hosting large or small scale public or private events either for social or business purposes. The process of planning an event can include budgeting, advertising, scheduling, catering, co-ordinating with 3rd parties, obtaining relevant licences, risk assessments and health safety arrangements.

Scope

9. The scope of the audit was to assess procedures to manage events hosted in LiveArgyll venues including controls over revenue, expenditure, risk management and insurance as outlined in the Terms of Reference agreed with the Business Operations Manager on 12 December 2022.

Risks

10. The risks considered throughout the audit were:
- Strategic Risk - Reduced Income levels due to economic climate. Impact of Covid19 on local economy and consequently levels of disposable income
 - Strategic risk: Failure to effectively market and promote services
 - Audit Risk 1 - failure to have event management processes in place

Audit Opinion

11. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 1 to this report.
12. Our overall audit opinion for this audit is that we can take a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.

2. Objectives and Summary Assessment

13. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Procedures are in place to manage events hosted in LiveArgyll venues	Audit Risk 1	Substantial	Procedures are in place to manage events. The 'Live Events and Shows Process' document outlines the process to be followed from the receipt of an enquiry to hold an event to post show activities. In addition, numerous other operating procedures and standard documentation is in place to assist with the running of events.
2	Controls are in place over income and expenditure with budget monitoring	Strategic risk: Reduced Income levels due to economic climate.	Substantial	Income and expenditure are projected in advance of an event, with a post event review being undertaken looking at

	processes established	Impact of Covid19 on local economy and consequently levels of disposable income		projected figures against actual. The Council as required by the SLA, with meetings being held between the Council and LiveArgyll, supports ongoing budget monitoring.
3	Events are actively promoted and marketed	Strategic risk: Failure to effectively market and promote services	Substantial	Events are actively promoted and marketed through a variety of media with the marketing team closely monitoring ticket sales and where necessary looking for additional avenues to promote a particular event.
4	Controls are in place for risk management for events and relevant insurances are in place	Audit Risk 1	Substantial	Controls are in place to assess the risks for each event with standard risk assessment templates available to complete. The Council, in line with the Service Level Agreement (SLA) provide Health & Safety (H&S) advice and support to LiveArgyll. Over and above the insurance provided by the Council, in line with the SLA, commercial event organisers must show proof of a minimum of £5m insurance cover.

14. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Procedures are in place to manage events hosted in LiveArgyll venues

15. Events within LiveArgyll can include weddings, conferences, charity events, parties and organised concerts, events mainly taking place in the Coran Halls in Oban, the Queens Hall in Dunoon or the Victoria Hall in Helensburgh.

16. Procedures are in place to manage events. The 'Live Events and Shows Process' document outlines the process to be followed from the receipt of an enquiry to post event activities. At each stage of the process the document identifies the staff team responsible for each task.

17. A number of standard template documents are available and in use including:

- venue Hire Terms and Conditions;
- staff Pre-event Briefing Form for staff to communicate key points of the Event Risk Assessment and pre-event checklist;

- security Pre-Event Briefing checklist to meet the Head External Stewards for event briefing to communicate key points of the Event Risk Assessment, ensuring there is adequate stewards to meet the risk assessment requirements;
- post Show Report check list;
- standard Operating Procedures.

18. LiveArgyll use Eventbrite, an online ticket management system to manage ticket sales. The Eventbrite – document ‘Events Payment Process’ outlines the various steps to be followed to manage income from ticket sales.

Controls are in place over income and expenditure with budget monitoring processes established

19. Controls are in place over income and expenditure. A standard template is used for revenue projections and income is projected for the following year based on the number of scheduled events. Expenditure projections are calculated in advance of each event. The costs included in the projections are the ‘additional’ costs the event incurs rather than a ‘full absorption costing’ approach.

20. Ongoing budget monitoring arrangements are part of the Service Level Agreement with the Council. LiveArgyll and Council finance staff hold monitoring meetings, looking at all budgets across LiveArgyll. In 2021/22, an audit of Budget Monitoring was undertaken and provided a high level of assurance.

Events are actively promoted and marketed

21. Events are actively promoted and marketed, with a number of media resources being used, including Facebook, Instagram and twitter. In addition to Social Media channels, various other media is used to promote events, including:

- LiveArgyll website;
- partnership working with Wild about Argyll;
- AITC partnership as well as other stakeholders;
- The List website;
- What’s on and local papers;
- member newsletters;
- TV screens in facilities;
- partnership working with Dunoon Cinema where members get discount as part of a joint promotion;
- digital screens and push notifications.

22. An advertising pack to promote venues within LiveArgyll is available. This provides information on what LiveArgyll offers in terms of events hosted in their venues, including information on promotional opportunities.

23. The Commercial/Marketing Team have responsibilities outlined in the Live Events and Shows Process document, including:

- checking the event spreadsheet on a weekly basis to ensure that all marketing materials have been sent by promoters;
- contacting promoters where events may need some additional marketing to discuss options on how to increase interest in their event and the potential costs.

Controls are in place for risk management for events and relevant insurances are in place

24. The Council, within the terms of the SLA provide LiveArgyll with health and safety advice, training, audits and incident and near miss investigations in order to help ensure that the appropriate corporate health and safety arrangements are in place and properly complied with on a comparable basis to similar services currently provided to the Council's directorates and services. The Council's Health & Safety team undertake internal audits of one facility each year and this includes looking at any event risk assessments. LiveArgyll completes a standard risk assessment template prior to events taking place.
25. The hirer is responsible for securing any permits required for the performances of copyright work unless specified in booking agreement. LiveArgyll check this prior to the event.
26. For major/one off events the hirer must hold public liability insurance with a minimum indemnity of £5 million, this is checked by LiveArgyll prior to the event. Exemptions to this would be private hires by individuals e.g. wedding receptions and birthday parties and hires which are community based and do not involve a large number of participants such as indoor bowling, tea dances, bridge clubs etc. Within the terms of the SLA, the Council provides insurance cover.



Appendix 1 – Audit Opinion

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

Argyll and Bute Council
Internal Audit Report
February 2020
FINAL

Procurement Strategy

Audit Opinion: High

	High	Medium	Low	VFM
Number of Findings	0	0	0	0

CHOOSE ARGYLL. LOVE ARGYLL.

Contents

1. Executive Summary	3
Introduction	3
Background	3
Scope	4
Risks	4
Audit Opinion	4
Recommendations	4
2. Objectives and Summary Assessment	5
3. Detailed Findings	6
Appendix 1 – Audit Opinion	11

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Scrutiny Committee in March 2022, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to the Procurement Strategy.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. We have not identified any actions to strengthen internal control, however, it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Good procurement is vitally important to public services, businesses and communities to enable delivery of sustainable economic growth and achieve strategic objectives.
5. Scottish Government is responsible for developing public procurement policy and legislation in Scotland, as well as setting up contracts and framework agreements for themselves and the wider public sector. In partnership with Scottish Government, Scottish public sector organisations work together to ensure public procurement is subject to continuous improvement and delivers value for money.
6. Legislation governs how Scottish public bodies, including the Scottish Government, buy their goods, services and works. The Procurement Reform (Scotland) Act 2014 (The Act) built on the work achieved in the previous reform of public procurement following the 2006 McClelland review, providing direction to public bodies and setting out procurement responsibilities and accountabilities. The Act applies consistent rules to public contracts, therefore simplifying and streamlining the procurement process for contracting authorities.
7. Alongside the Act are regulations to ensure that public purchases are made in a transparent and fair manner. This is to achieve efficiency in public spending while facilitating the participations of small and medium-sized enterprises (SMEs), third sector bodies and supported businesses. These regulations are:
 - The Public Contracts (Scotland) Regulations 2015
 - The Public Procurement etc. (EU Exit) (Scotland) (Amendment) Regulations 2020
 - The Utilities Contracts (Scotland) Regulations 2016
 - The Concessions Contracts (Scotland) Regulations 2016
 - The Procurement (Scotland) Regulations 2016
8. The Act requires all contracting authorities with significant procurement expenditure in the next financial year to publish a procurement strategy setting out how they intend to carry out

regulated procurements, or review the current strategy and make appropriate revisions. This strategy sets out how the Council intends to ensure that its procurement activity complies with legislation and Council plans and policies, achieves value for money and contributes towards both national and local outcomes and improvements.

9. The Act further requires all contracting authorities obliged to publish a Procurement Strategy, and also publish an Annual Procurement Report indicating its performance as soon as reasonably practicable after the end of its financial year.
10. The Council's Procurement Strategy and Annual Procurement Report is prepared by the Procurement, Commercial and Contract Management Team (PCCMT) who work with the council services and suppliers to develop contracts and procedures that deliver best Value. The team is responsible for the purchasing of goods and services for all council departments and developing procurement processes, procedures, strategies and policies in line with national best practice.

Scope

11. The scope of the audit was to review process in place in terms of the procurement strategy and annual procurement report to ensure compliance with statutory requirements as outlined in the Terms of Reference agreed with the Head of Legal and Regulatory Services on 5 September 2022.

Risks

12. The risks considered throughout the audit were:
 - Audit Risk 1: Failure to comply with legislative and regulatory requirements
 - Audit Risk 2: Failure to comply with Council Standing Orders, policies and procedures
 - Audit Risk 3: Published annual performance information is inaccurate or incomplete

Audit Opinion

13. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 1 to this report.
14. Our overall audit opinion for this audit is that we can take a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.

Recommendations

15. We have not identified any recommendations as a result of this audit.
16. Full details of the audit findings can be found in Section 3 of this report.

2. Objectives and Summary Assessment

17. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	The Council's Procurement Strategy is compliant with The Procurement Reform (Scotland) Act 2014 and associated regulations.	Audit Risk 1	High	A Procurement Strategy and Sustainable Procurement Policy has been prepared, appropriately approved and published on the Council's website for the period 2022/25. This Strategy contains all of the mandatory elements in compliance with the requirements of the Act. A sample of frameworks belonging to other organisations and of contracts entered into by the Council were reviewed and found to conform to the requirements of the Strategy and therefore the Act.
2	The Council's Procurement Strategy is compliant with the Council's policies, plans, aims and objectives.	Audit Risk 2	High	The Strategy takes cognisance of the content of Council documents and contributes towards achieving local and national outcomes. Consultation took place when developing the new strategy and changes were made as a result. The PCCMT are appropriately trained to undertake procurement duties and those purchasing goods and services in other business areas of the Council have access to the Procurement Manual, e-learning resources and support from the PCCMT.
3	The Annual Procurement Report incorporates all of the mandatory statutory elements and information provided is complete and accurate.	Audit Risk 1 Audit Risk 2 Audit Risk 3	High	The Annual Procurement Report 2021/22 was prepared and submitted to senior management for review and subsequently published. The report contains the necessary information in compliance with the Act and statistics reported were found to be an accurate reflection of performance achieved.

18. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council's Procurement Strategy is compliant with The Procurement Reform (Scotland) Act 2014 and associated regulations

19. A Procurement Strategy has been prepared for the period 2022/25, it was formally reviewed and approved by the Policy and Resources Committee in December 2021 and by the full Council in February 2022. The Strategy was subsequently published on the Council's website and Scottish Government promptly notified of the publication and provided with a link to review the contents.
20. The mandatory elements as required by the Act are set out in a table within the Strategy and the Council's responses and associated strategy content detailed alongside.
21. The Strategy sets out how the Council intends to carry out regulated procurements in the overview and is reinforced throughout the remainder of the document. There is also provision for an annual review to ensure alignment with broader priorities.
22. The Strategy states that the Council's procurement spend was £140m during the year 2020/21, contributing to an annual spend of £12.6b across the public sector in Scotland. This would imply that the Council is expected to spend in excess of the £5m threshold in regulated procurements each year.
23. National and local policies and priorities are reflected throughout the strategy via reference to the Council's Corporate Plan and Outcome Improvement Plan which are directly linked to National Policy Priorities. Further outcomes are referenced throughout the strategy including those related to food procurement, sustainability, equalities, best value and community benefit.
24. Value for Money (VFM) is a key strategic procurement objective and the term is referenced throughout in support of the overarching aims of the strategy which are to:
 - support the Council achieve budget savings targets
 - work closer with client department to better understand needs
 - identify opportunities to reduce expenditure
 - control demand
 - improve process efficiencies and
 - to work more collaboratively with other public sector organisations to support community wealth building across the Council area.
25. The requirement for equalities and diversity including fair work first principles and practices are referenced throughout the strategy with links provided to the relevant legislation. This helps to ensure there is no intentional discrimination against specific groups of people when undertaking procurements.
26. Transparency is achieved through compliance with the Council's standing orders, the Act and other statutory guidance, the Strategy also explains that the Council engages with the Supplier Development Programme to understand organisational needs and share the Council's procurement work plan. Prior Information Notices (PINs) will be published on Public Contracts Scotland for all regulated procurements throughout 2022-2025 and consideration is given within the initial Commodity Sourcing Strategy to lotting all regulated contracts.

27. The Council is committed to long-term economic, social and environmental sustainability which is clearly evidenced throughout the Strategy and augmented in the appended Sustainable Procurement Policy.
28. Community wealth building and community benefits are key aims within the Strategy. The requirement to achieve community benefits for all procurement exercises above £100k for goods and services and £2m for works is acknowledged along with the associated reporting requirements and links to further information.
29. The need for relevant and proportionate consulting and engagement with appropriate stakeholder groups is noted within the Strategy. The key stakeholder groups have been identified along with the approval and publication requirements.
30. Promotion of the living wage and wider fair work first practices is a strategic aim and is also outlined within the table of mandatory requirements. There is further acknowledgement of the requirement throughout the Strategy and advises that further guidance can be obtained from Scottish Government.
31. Health and safety considerations within the workforce, for clients and throughout the supply-chain are acknowledged and specifically referenced within the procurement principles and the table of mandatory requirements along with the legislation that is required to be complied with. A link is also provided to the Council's corporate health and safety policy.
32. Also included within the table of mandatory requirements and as a priority within the Sustainable Procurement Policy is the need to source goods and services fairly and ethically. There is further acknowledgement of this throughout the Strategy and particular reference is made to the completion of a Commodity Sourcing Strategy in preparation for a procurement exercise which considers fair and ethical trade.
33. Health, wellbeing and education of communities is implied throughout the Strategy and specifically stated within the table of mandatory requirements where food procurement is concerned. The requirement to maintain animal welfare in the food supply chain is also included in this table and within the appended sustainable procurement policy.
34. The Strategy states that prompt payment clauses requiring a 30 day payment term are embedded within contractual terms and conditions and this should also apply to contractors when paying sub-contractors who are delivering and supporting Council contracts. This does not extend to sub-contractors paying sub-contractors but this would be outwith the control of the Council staff to monitor.
35. The contract register published on the Council's website shows that we also purchase from contracts created by other organisations/collaborations such as Scotland Excel, Scottish Government, NHS and other Local Authorities in Scotland. A sample of four strategies prepared by these other organisations was selected for review to ensure they were also compliant with the Act. All four were found to be largely compliant with only minor omissions noted. All Scottish public sector procurement strategies are reviewed by Scottish Government upon publication and subsequently amended where necessary. It is therefore appropriate for the Council to purchase from the contract frameworks agreed by these organisations.
36. A sample of four recent contracts entered into by the Council were selected for review to determine if they were compliant with the content of the Strategy and these were found to be satisfactory.

37. As part of their day to day work, the PCCMT will monitor off-contract spend and take action where relevant. Where purchases are found to be incorrectly recorded as non-contracted spend, the records will be updated for future reference to show that such spend is in fact part of a contract or framework. Where significant spend with a non-contracted supplier is identified, the PCCMT will contact the Council service responsible for the purchases and advise that a contract should be put in place.
38. Single source suppliers may be contracted using the “Justification for Non-Competitive Action” (JNCA) process in accordance with supplementary guidance. This guidance clearly states the circumstances where competitive action may not be required and this includes where there is only one possible supplier. At the time of review, there were 168 JNCAs recorded for the year 2022/23 and each contained an appropriate reason for using this process, the most common being due to single supplier, additional purchase from existing supplier for consistency or urgent purchase.
39. The Strategy informs the reader that other relevant regulations should also be complied with when undertaking procurement exercises.

[The Council’s Procurement Strategy is compliant with the Council’s policies, plans, aims and objectives](#)

40. The Strategy takes cognisance of the directions set out in formal Council documents including the Council Constitution, Corporate Plan, Outcome Improvement Plan and Procurement Manual. Elements within these documents direct the reader to comply with content such as the financial and security regulations and contract standing orders.
41. The six outcomes from the Outcome Improvement Plan are quoted within the Strategy including detailed explanations of how the associated aims and objectives will be addressed. An action plan has been prepared with performance measures put in place to monitor progress.
42. There is frequent reference to the community demonstrating a clear understanding of the challenges faced across the Council area as well the benefits of being a rural authority. The long-term outcomes are addressed throughout the Strategy and acknowledgement is made of the requirements for equality, engagement, supplier empowerment, resources, partnership working and overarching governance frameworks.
43. Consultation on the revised Strategy took place in November 2021 and was open to all members of the public to provide commentary. The consultation report advised that a total of 47 responses were received from both the public and from Council employees resulting in some changes being made to the Strategy prior to publication.
44. The Procurement Manual was last updated in August 2022 and is available to view on the Council’s website. The manual takes cognisance of the content of the Strategy in terms of contributing to Council objectives, meeting best value requirements, compliance with relevant legislation and ensuring that sustainability is considered at operational level when carrying out procurement activity.
45. The PCCMT consists of 18 members of staff, 12 of whom are members of professional bodies and 4 studying towards membership. The PCCMT have also completed a range of learning modules delivered both in-house and externally to keep up to date with current practices and ensure compliance with the legislative requirements as set out within the Strategy.

46. Council staff outwith the PCCMT who are required to purchase goods or services as part of their duties have access to the Procurement Manual and a range of e-learning modules on the Council's e-Learning platform LEON. These are comprehensive resources that carefully guide the user through various stages of procurement. Additional specific guidance is available on the Council's intranet site, the Hub, for members and employees and includes links to further information. The PCCMT can also be contacted to provide advice and support when required.

[The Annual Procurement Report incorporates all of the mandatory statutory elements and information provided is complete and accurate](#)

47. The Annual Procurement Report for 2021/22 was submitted to both Department Management Team and Executive Leadership Team in July 2022 prior to publishing on the Council's website for members of the public to view. Scottish Government have been advised of this publication and provided with a link to review the content.

48. The report contains the necessary information to ensure compliance with the Act including:

- Summary of regulated procurements completed during 2021/22
- Review of compliance with 2021/22 Procurement Strategy
- Identifies areas for improvement
- Number of regulated procurements that did not comply with the Strategy (none)
- Number of community benefits achieved within contracts awarded (19)
- Summary of supported businesses including steps taken to facilitate their involvement
- Details on 57 regulated procurements expected to commence over the next two financial years
- Statistical analysis of procurement activity

49. The statistics provided in the executive summary of the annual report were reviewed and verified using information extracted from the systems maintained by the PCCMT. These are as follows:

Executive Summary Statistics

£171.4m Total Spend	£158.8m Estimated Procurement- related Spend	£144.5m Contracted Spend
1635 Total Suppliers		82,909 Invoices processed
£97,120 Average spend per supplier	1,305 SME Suppliers	£109.6m SME Spend

Summary of Regulated Procurements Completed

	Open Procedure (Single Stage)	Restricted Procedure (Dual Stage)	Quick Quote	Framework/ Call-off/ Mini Comp	Light Touch Regime	Direct Award	Total
Supplies	1	0	1	15	0	1	18
Services	5	1	0	6	9	3	24
Works	2	0	0	1	0	0	3
Total	8	1	1	22	9	4	45

Total estimated value of completed regulated procurements	£38.4m
Total estimated procurement revenue savings to be delivered from the contracts placed (identified at Contract Award)	£0.021m
Total estimated revenue procurement benefits to be delivered from the contracts placed (identified at Contract Award)	£0.024m
Average number of bids received (for Open/Restricted)	4.9
% of contracts awarded to SMEs during the reporting period	75.6%
Average processing time for a procurement exercise (from procurement start date to date of award) in weeks	19.5
Number of collaborative contracts let in cooperation with other organisations	22

Appendix 1 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving 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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Argyll and Bute Council
Internal Audit Report
February 2023
FINAL

Customer Service Centre

Audit Opinion: High

	High	Medium	Low	VFM
Number of Findings	1	0	5	1

Contents

1. Executive Summary	3
Introduction	3
Background	3
Scope	4
Risks	4
Audit Opinion	4
Recommendations	5
2. Objectives and Summary Assessment	5
3. Detailed Findings	7
Appendix 1 – Action Plan	13
Appendix 2 – Audit Opinion	18

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Scrutiny Committee in March 2022, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to the Customer Service Centre.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Argyll and Bute Council (the Council) are committed to providing excellent customer service by putting customers at the centre of its everyday business. Excellent customer service will enhance the Council's standing, allow ease of interaction and help resolve any issues quickly and efficiently. Whilst poor customer service can have detrimental effect on the Council's reputation it can also drive down organisational efficiency and effectiveness, it is therefore important that public bodies promote and maintain good customer services with the public, thereby, reducing costs by minimising the time needed for handling customer interactions and complaints.
5. In 2010 the council launched its Customer Service Charter as part of a programme of activities aimed at further improving customer service standards. The Charter tells customers the standards of response they can expect depending on how they contact us.
6. The Customer Engagement Team's (CET) role is to handle initial customer enquiries and requests for every council Service, via a wide range of channels. The CET aims to get every customer enquiry 'right first time' without having to needlessly transfer the query to officers within specific services.
7. At the time of our review the CET have an annual budget of £1.42 million with 45 Full Time Equivalent (FTE) staff spread between Web Team, Digital Services Team, Customer Service Centre (CSC), Service Points and Registration.
8. It is essential that the Council use all the tools available to help deliver the best quality of service possible. The CET core systems include Oracle Customer Relationship Management (CRM) and Netcall Converse Contact Management Systems plus subsidiary systems like room booking and Facebook.

9. Customer Service Centre staff rely on services to provide them with sufficient information and resources to allow them to handle enquiries effectively on their behalf. All enquiries that cannot be resolved immediately are transferred to the service staff via email.
10. Contact centre staff are primarily based in Campbeltown, however, Service Point staff are based across the Council areas and use the same systems providing resilience and also assisting with peaks in customer demand. In the year 2021/22 of the 563,467 total customer interactions, 152, 272 were mediated interactions with staff split across the following channels:

Telephone	111,726
Face to face	11,797
Email	18,002
Letter	4,856
Smart Assistant	3,156
Facebook	381
Text	558
Webmail - Contact Us form	194
Chat	1,077
Voiceform	525
TOTAL	152,272

2021/22 ALL TOTALS	Total	% Split
Mediated Transactions	152,272	27%
Automated Information requests	296,736	53%
Automated Transactions	114,459	20%
TOTAL	563,467	

Scope

11. The scope of the audit was to review the process and systems used for the handling of initial customer contacts and ensure that customer enquiries are followed up in a timely manner, as outlined in the Terms of Reference agreed with the Customer Engagement and Transformation Manager on 13 January 2023.

Risks

12. The risks considered throughout the audit were:
- **SRR05** - The Council fails to understand service user needs and emerging demographic trends and does not align service delivery to meet these - Ineffective partnership working
 - **SRR06** - Insufficient resources to ensure effective service delivery - Services fail to achieve agreed performance levels and as a result are not contributing fully to Council objectives
 - **Audit Risk 1:** Failure to comply with established processes and procedures
 - **Audit Risk 2:** Failure to manage customer expectations

Audit Opinion

13. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.

14. Our overall audit opinion for this audit is that we can take a High level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.

Recommendations

15. We have highlighted one high priority recommendations, and five low priority recommendations and one value for money recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- HSCP must engage with CET to review the online and offline information available to agents and customers to ensure it is accurate, up to date and reflects current team structures and duty rotas.
- The Contact Centre should continue to update procedures to document the process for raising issues with Services and ensure they continually reflect current working practices.
- The Customer Service Standard Charter must be updated to reflect the updated performance standards as part of the Customer Service Strategy Review.
- Customer Service Centre should review, with Services, the definitions of the Avoidable and Non Avoidable Contacts with a view to gathering actionable data on the volume of repeat contacts due to lack of follow up, availability of information and establishing whether there is an issue with customers being unable to reach staff who have been named as a key contacts.
- ICT to complete the planned update to Skype for Business directory.
- Contact Centre and HSCP should analyse whether it is more efficient that certain call types on the HSCP Golden Number are routed directly to HSCP for them to manage
- Consideration should be given to whether it would be beneficial to reintroduce a Customer Service Board or equivalent which would be platform to raise any issues with Services for solutions to aide customer service and engagement.

16. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

17. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Processes and systems are in place for the handling of customer	SRR05	High	<ul style="list-style-type: none"> • There are processes, systems and manuals in place for the handling of customer contacts and enquiries. • There would be benefit to updating procedures to reflect current working practices.

	contacts and enquiries.			<ul style="list-style-type: none"> • Performance standards are in place, monitored and reported. There would be benefit to reviewing, with Services some of the lagging indicators e.g. Avoidable Contacts, due to the limited availability of other real time data. • The Customer Service Standard Charter would benefit from a review to reflect the updated performance standards.
2	Customer contacts and enquiries are handled in line with processes and procedures.	SRR05 SRR06 Audit Risk 1 Audit Risk 2	Substantial	<ul style="list-style-type: none"> • Customer contacts and enquiries are handled in line with processes and procedures. • Staff do not always have up to date information resulting in transfers to Services to resolve. • One Service is not engaging appropriately despite the repeated requests from Senior Managers to review and update information.
3	Customer contacts and enquiries are followed up in a timely manner.	SRR05 SRR06 Audit Risks 1 Audit Risks 2	Unassessed due to unavailable data	<ul style="list-style-type: none"> • The role of the CET is to handle and deal with initial customer contacts and enquiries for the majority of the Council's Services. • Not all Services have access to the Oracle CRM system used to record fulfilment of customer interactions. An obstacle to monitoring follow up is lack of integration between systems used by Services and Oracle CRM. This means the digital functionality to fully test or establish whether customer contacts and enquiries are followed up in a timely manner is not currently available. • The Council's Customer Services Support Team which includes the CET have successfully retained its Customer Service Excellence Accreditation, which is externally assessed. The team were specifically praised for their commitment to a first class approach to delivering customer focused services.

18. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Processes and systems are in place for the handling of customer contacts and enquiries.

19. The Council has processes and systems in place for the handling of initial customer contacts and enquires. Staff, known as agents, within the Customer Service Centre (CSC) and Customer Service Points (CSP) provide a multi-channel contact centre and switchboard facility for the council. Inbound calls are received using the phone numbers, referred to as the 'Golden Numbers' published on the Council's Contact Us webpage.
20. Customer contacts and enquiries related to statutory duties, Registration Services and Blue badges, are dealt with by Registrars who are based in CSPs as there is a high volume of face to face contact for these. The Council also have a dedicated website for Marriage and Civil Ceremonies.
21. The Netcall Contact Management System (Netcall) provides effective control of the customer requests flowing in through the varied channels. This information is displayed on a Dashboard which allows staff at all levels to monitor performance in real time.
22. Information on every individual agent's knowledge of different elements of the council and their skills in responding through different channels is held by Netcall in an agent's skills matrix. The system routes all inbound requests using real time data to dynamically match incoming work to appropriately skilled agents. This allows more complex requests like complaints to be allocated to the most experienced agents while routine tasks like taking a payment can be routed to agents who are developing their skills.
23. The Oracle CRM system is used by agents to:
 - record contacts as incidents against the most suitable sub category called Products;
 - identify customers using unique indicators including phone number, email or name and address etc.
 - access product Tabs, which are populated with information provided by Services, and can include key facts, links to the Council webpage for that Service or online forms e.g. service requests;
 - the Social Work Product Tab provides a link the HSPC SharePoint holds contact details and Duty Rosters for the various area teams for that day or week;
 - transfer unresolved enquires to Services using built in standard email templates;
 - interface into OpenRevs for Council Tax and related Benefit enquiries, Carefirst Social Care system and the Roads and Amenities Oracle CRM
 - access a simple audit trail summarising the incident and if required, detailing who or which Service an enquiry was transferred to.
24. The Council has training manuals and procedures in place for the handling of customer contacts and enquiries. Services are responsible for providing their own set of guidance, information and training to agents. A review of the manuals, including those provided by Roads and Amenities and Regulatory Services, and the procedures for dealing with customers found them to be comprehensive. There are limited details of follow up processes as this is carried out by Services themselves rather than centrally.

25. While the guidance and systems manuals have been updated recently, there would be benefit to continually reviewing processes to ensure they reflect current working practices, including the production of reports and the process for raising any issues with Services.

Action Plan 2

26. Where services don't provide guidance manuals they are responsible for engaging with the CET to ensure that agents have accurate and up to date information. There is evidence that some teams within HSCP are not fully engaging with CSC, despite repeated requests from Senior Managers requests to review their online and offline information and that the Duty rotas and contact details on the HSCP SharePoint are not always up to date. A previous [Review of Customer Service Centre](#) by internal audit identified this issue and while the systems have been changed the requirement to engage with CSC and to provide and update information remains the responsibility of the Service.

Action Point 1

27. Performance standards are in place, monitored and reported. Internally, via the Councils scorecard system Pyramid and reports to Senior Managers/DMT and quarterly statistics are published on the Council's website. The aim is to ensure all "On demand" contacts such as phone calls and web chats are responded to immediately and all "Off demand" contacts like emails are cleared every day, this is monitored using the Netcall system dashboard.
28. Customers can see current contact centre call volumes and waiting times on the website. To monitor customer satisfaction every caller to the call centre is offered a short survey. The outcomes are displayed in rolling totals on the dashboard so the supervisor can readily spot drops in performance; usually due to technical issues and provide support to agents.
29. The aim of CSC is the timely and effective provision of information so customers do not have to contact us needlessly, but when they do resolve their enquiries there and then. This allows resources in Services to be focused on service delivery and not enquiry management.
30. The Oracle CRM system is also used as a management tool to identify issues, record the quality of service and the provision of information by classifying customer contacts as either Avoidable or Non Avoidable Contacts.
31. Avoidable contacts or "failure demand" are where a customer has to contact the Council needlessly, these are further broken down to allow identification for Services of areas where there may be issues and to identify solutions. Categories include:
- Service delivery failure – something promised either hasn't been done or not done to a satisfactory standard.
 - Equipment/System failure – Service delivery failure specifically attributable to failure of equipment e.g. bin lorry breakdown
 - Information provision failure – information required by customer is either inaccurate, is not clear enough or is unavailable
 - Needless progress chasing – customer contacts for progress update because we have unreasonably failed to keep them up to date or inform them of the completion of their service request.

32. Statistics for each service are examined on a quarterly basis and only shared with Services where a trend or spike identifies an issue. These are lagging indicators and do not match real time concerns or trends identified by staff regarding arising issues. There would be benefit to reviewing with Services, the definitions of the Avoidable and Non Avoidable Contacts with a view to gathering data regarding the volume of repeat contacts due to lack of follow up, availability of information and establishing whether there is an issue with customers being unable to reach staff who have been named as a key contacts.

Action Point 3

33. The Council's [Customer Service Charter](#) (the Charter) is available on the website, beside the quarterly performance statistics. The Charter does not reflect all the channels now available to customers to raise initial enquiries however the current performance levels are exceeding those stated. The Charter is currently being reviewed based on consultation with the public after the pandemic and will be updated to reflect the results and to take account of other key Council Strategies including the Digital Strategy and Customer Service Strategy.

Action Plan 4

34. The Council's Customer Services Support Team which includes the CET have successfully retained its Customer Service Excellence Accreditation, which is externally assessed. The team were specifically praised for their commitment to a first class approach to delivering customer focused services.

[Customer contacts and enquiries are handled in line with processes and procedures.](#)

35. A visit to the CSC and CSP in Campbeltown confirmed through observation and discussions with staff, that customer contacts and enquiries are handled in line with processes and procedures.

36. Staff displayed a broad depth of knowledge of Council Services when handling enquiries, ranging from a request to get new wheels for a blue bin to a customer selling and moving house. The Council Tax enquiry required the agent to use four systems to log the incident, check and update records for two proprietries, amend contact details, check amounts outstanding on the old property, advise the customer of the resulting overpayment, transfer this to the new address, arrange for updated bills and confirmation of this to be sent to the customer, add notes to the Council Tax system and close the incident.

37. Agents are provided with extensive training and support to develop their "Skills". This is split between the systems used to handle customer contacts and enquiries, which is provided by staff within the CET and Service specific training and knowledge delivered by the service staff. New agents and those who are developing their skills are assigned to mentors who are on hand to help and support them. A record of staff training is maintained.

38. To ensure that the staff within the CET develop and maintain the required skills and have a customer focused approach the team have adopted the Council's Grow Our Own policy, some examples of the success include;

- All Digital Development staff are former CSC agents or back office service processors
- All three new Digital Agent posts have been successful candidates applying from within the CSC/CSP cohort

- The Web Developer and Digital Engagement Developer roles were graded to reflect the complexity of the development work and systems integrations they now complete.
39. Expected levels of performance are outlined in the Team Plan and provided to staff during their performance and career conversations. The Agent Profile on Netcall provides daily performance information including number of interactions handled and stored directory information.
40. For quality and training purposes supervisors carry out call evaluations. Staff are provided with the list of questions that they are evaluated on. In addition to receiving feedback, staff are able to view their evaluations on the team Penny SharePoint. The focus is on the quality and accuracy of information given and recorded and not time taken to deal with the call.
41. The primary purpose of the agents is to resolve as many enquiries as possible at first point of contact in order to reduce workloads on back office teams. Enquiries are only transferred to back office where:
- customer specifically requires to speak to a named member of staff e.g. an allocated planning officer or social worker;
 - where the agents do not have sufficient information to resolve the query; or
 - the enquiry relates to a complex and technical issue that requires in depth service knowledge or service delivery to resolve.
42. When an enquiry or service request is transferred to the back office it is classed as closed as the agents cannot do anything further to resolve the matter. There are a small number of services that the team provides, where they control fulfilment of requests (e.g. Blue Badge Applications) and there are processes in place to ensure requests are followed up to completion. A demonstration of this was provided by the CSP Supervisor.
43. Agents rely on the Skype for Business call directory to search for and contact staff in other departments. The details on Skype don't always match current staff roles, this causes difficulty for agents trying to find out who to contact in Services. The ICT service has confirmed this is a known issue. A solution for improving integration with ResourceLink is being finalised by the ICT Apps and Servers teams with the aim to significantly improve the quality of information in Skype for Business by the end of March 2023. As the source of this data is the ResourceLink system, the quality of information presented in Skype for Business will be highly dependent on the accuracy of the data in ResourceLink.

Action Plan 5

44. There are situations where agents either don't have sufficient information or the information they do have is out of date. This impacts upon their ability to resolve incidents at first point of contact and results in pass backs to Services. Evidence of this can be seen in the extract of the call handling performance statistics for January 2023.

Queue/ Golden Numbers	Total Calls Queued	% of Total Calls Queued	% Resolved First Point	Calls Transferred	% Transferred
Social Work	1766	22%	73%	467	27%
Council Tax	1315	16%	93%	96	7%
Roads and Amenities	1266	16%	94%	70	6%
Payments	1218	15%	96%	46	4%
Benefits	792	10%	90%	79	10%
General Enquiries	710	9%	76%	165	24%
Planning	680	8%	88%	80	12%
Regulatory Services	227	3%	91%	20	9%
Complaints	42	1%	95%	2	5%
Book It	27	0%	89%	3	11%
Total	8043		87%	1028	13%

45. From the statistics provided there appears to be a high proportion of calls being handled by CSC that could be better dealt with by HSCP. Given the high number of calls, call transfers and the teams they are transferred to, consideration should be given to whether it would improve efficiency for certain call types on the HSCP Golden Number to be routed directly to HSCP for them to manage or that specific issues which require more specialist or detailed knowledge are dealt directly by HSCP.

Action Plan 6

46. Previously any issues with Services were raised and discussed at the Customer Services Board. Since this was disbanded any issues arising are raised by staff through the line management/Council Hierarchy on a more informal level either by call, meeting or emails. Where an issue is deemed to be either a recurring issue or where there is lack of engagement with a specific service the Customer Engagement Manager raises this with the Head of Service Customer Support Services for discussion at DMT.

47. Consideration should be given to whether it would be beneficial to reintroduce a Customer Service Board or an equivalent forum which would be platform to raise any issues with Services for solutions to aid customer service and engagement.

Action Plan 7

Customer contacts and enquiries are followed up in a timely manner

48. Not all Services use the Oracle CRM system and currently only the following incidents are managed, by the Service, to their conclusion:

- All service requests for Roads & Amenity Services
- Complaints
- Blue Badges
- Member zone (previously Councillor Casebook)

49. Agents are provided with copies of the Good Agent Guide which provides process for agents when updating status for follow up enquiries/repeat calls, this explains that it only applies to products that are managed to their conclusion in Oracle CRM.
50. Where a service uses Oracle CRM system to deal with enquiries for their department, staff within that service deal with the monitoring and follow up until resolution within the timescales for that particular area. This is recorded in the systems audit log.
51. An obstacle to monitoring follow up is lack of integration between systems used by Services and Oracle CRM. This means the digital functionality to fully test or establish whether customer contacts and enquiries are followed up in a timely manner is not currently available. The process would be manual and would require Services to allocate staff to monitor and collate this information.
52. The Digital Service Team are currently reviewing the Oracle CRM Case progress/tracking functionality for usefulness, usability and accessibility.
53. When Services approach CET for help handling enquiries or tasks, the team look for ways to build in progress tracking, follow up and task functionality. An example of this was the digitalisation of the School P1 Registration process which has been a great success and has helped streamline the process for Schools.
54. Other examples of the efforts of CET to promote ways that customers can stay informed of the progress of incidents logged and any service updates that may affect them. These include promoting:
 - Keep in the Loop (KITL) subscription alerts which issued 266,735 emails to subscribers in 2021/22.
 - My Account using the Sign up today! banners on the Council website and the automatic response emails sent to customers when carrying out an activity that can be tracked, like the P1 registration process, encouraging customers to Track Progress of this request using My Account, and providing the link to sign up or log in.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	<p>Failure to ensure CET have up to date Service information</p> <p>There is concern that some teams within HSPC are not fully engaging with CSC, despite repeated requests from Senior Managers to review their information. In addition, the Duty rotas and contact details on the HSPC SharePoint are not always up to date.</p> <p>HSCP must engage with CET to review the online and offline information available to agents and customers to ensure it is accurate, up to date and reflects current team structures and duty rotas.</p>	<p>SRR06 - Insufficient resources to ensure effective service delivery - Services fail to achieve agreed performance levels and as a result are not contributing fully to Council objectives.</p>	<p>Provided by key officer HSCP management will work with the CET team to determine the best way to approach the current problem and implement the correct solution agreeable by HSCP and CSC.</p>	<p>Charlotte Craig Business Improvement Manager</p> <p>30th June 2023</p>
Low	2	<p>Procedure Manuals</p> <p>Procedures notes would benefit from being continually updated to reflect current working practices, including the production of reports, raising issues with Services and to ensure they reflect current working practices</p>	<p>Processes may be applied inconsistently.</p>	<p>Provided by key officer</p> <ol style="list-style-type: none"> 1. CSC will review Training Manuals for each key Service Area (Golden Number) with specific focus on escalation routes and issue reporting. 2. CET will review operational performance reporting and KPIs as part of the corporate Performance Review Project. 	<p>Robert Miller Customer Engagement Manager</p> <p>31st October 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	3	<p>Performance Indicators</p> <p>Information gather using the Avoidable and Non Avoidable categories do not match real time concerns or trends identified by staff regarding arising issues as these are lagging indicators.</p> <p>Customer Service Centre should , with Services, review the definitions of the Avoidable and Non Avoidable Contacts with a view to gathering actionable data on the volume of repeat contacts due to lack of follow up, availability of information and establishing whether there is an issue with customers being unable to reach staff who have been named as a key contacts.</p>	Performance Measures are not gathering meaningful data	<p>Provided by key officer</p> <ol style="list-style-type: none"> 1. CET will engage with Service Leads to review Avoidable Contact measures and reporting. 2. CET will send a report with Improvement Recommendations to DMT and ELT for approval by July 2023. 	<p>Robert Miller Customer Engagement Manager</p> <p>31st July 2023</p>
Low	4	<p>The Customer Service Standard Charter</p> <p>The Charter does not reflect all the channels now available to customers to raise initial enquiries.</p> <p>The Charter is currently being reviewed based on consultation with the public after the pandemic and will be updated to reflect the results and to take account of other key Council Strategies including the Digital Strategy and Customer Service Strategy.</p> <p>to be updated to reflect the updated performance standards</p>	The public may not be aware of the Councils current customer service standards	<p>Provided by key officer</p> <ol style="list-style-type: none"> 1. CET will consult customers on Charter Standards as part of the survey informing the new Customer Service Strategy. 2. CET will include proposals for a revised Customer Service Charter in the Customer Service Strategy to be approved by ELT and SMT. 	<p>Robert Miller Customer Engagement Manager</p> <p>31st October 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	5	<p>Skype for business does not contain up to date contact details.</p> <p>ICT to complete the planned update to Skype for Business directory.</p>	CSC agents are unable to identify staff in the Service when dealing with customer enquiries	<p>Provided by key officer</p> <p>Improved and regular integration between ResourceLink and Active Directory</p>	<p>Katrina Duncan ICT Projects and Liaison Manager</p> <p>31st March 2023</p>
Low	7	<p>Collaborative Working</p> <p>Consideration should be given to whether it would be beneficial to reintroduce a Customer Service Board or equivalent forum which would be platform to raise any issues with Services for solutions to aide customer service and engagement</p>	Lack of formal process creates barriers to collaborative working resulting in inefficient use of resources	<p>Provided by key officer</p> <ol style="list-style-type: none"> 1. SMT has requested a review of the efficient delivery of Communication and Customer Engagement as part of the 24/25 budget efficiency and this will include governance arrangements such as a joint Board. 2. CET will consult Services on the efficacy of a corporate forum for aiding the achievement of high levels of customer communication, care and engagement to feed into the review at 1. Above. 	<p>Robert Miller Customer Engagement Manager</p> <p>31st October 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Value for money	6	<p>Routing of calls to the appropriate channels</p> <p>Calls for HSPC represent the highest volume of both calls handled by CSC and transferred to the Service. The data provided detailing the teams the calls are transferred to indicates that it may be more appropriate for properly trained staff to handle and manage these calls.</p> <p>Contact Centre and HSCP should analyse whether it is more efficient to route certain call types on the HSCP Golden Number directly to HSCP for them to manage or that specific issues which require more specialist or detailed knowledge are dealt directly by HSCP.</p>	Complex customer contacts are not handled appropriately by trained staff at the first point of contact who have access to the correct information	<p>Provided by key officer</p> <p>The service will engage in discussions with CET's Customer Engagement Manager to ensure that suitable arrangements are in place which maximises efficiency and effectiveness of the handling of customer contacts and enquiries via the HSCP Golden Number</p>	<p>Charlotte Craig Business Improvement Manager</p> <p>30th June 2023</p>

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving 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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of Schedule 7A of the Local Government(Scotland) Act 1973

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