

# Public Document Pack

## Argyll and Bute Council

Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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13 June 2023

## NOTICE OF MEETING

A meeting of the **AUDIT AND SCRUTINY COMMITTEE** will be held **BY MICROSOFT TEAMS** on **TUESDAY, 20 JUNE 2023 at 2:00 PM**, 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 16 MARCH 2023** (Pages 5 - 12)

### AUDIT ITEMS

4. **INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES** (Pages 13 - 20)

Report by Chief Internal Auditor

5. **INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2023/2024** (Pages 21 - 168)

Report by Chief Internal Auditor

- Purchasing Cards
- Building Standards
- Cyber Security
- Management of Debt and Debt Recovery
- Burial Records
- Counselling in Schools
- Equality and Socio-Economic Impact Assessment
- Payroll
- LiveArgyll – Lochgilphead Community Centre
- LiveArgyll – Mid Argyll Sports Centre

6. **INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2022-23** (Pages 169 - 180)  
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- SCRUTINY ITEMS**
8. **CONSULTATIONS SCRUTINY REVIEW** (Pages 223 - 246)  
Report by Chair of Consultations Scrutiny Panel
9. **VERBAL UPDATE BY CHAIR OF THE FLY TIPPING SCRUTINY PANEL**  
Verbal Update by Councillor Jim Lynch
10. **SCRUTINY - IDENTIFICATION OF A TOPIC 2023-24** (Pages 247 - 250)  
Report by Chief Internal Auditor
11. **PERFORMANCE REPORTING UPDATE** (Pages 251 - 258)  
Report by Executive Director with responsibility for Customer Support Services
12. **AUDIT SCOTLAND REPORT - FINANCIAL BULLETIN 2021/22** (Pages 259 - 290)  
Report by Head of Financial Services
13. **INTERNAL AUDIT - ANNUAL REPORT 2022/23** (Pages 291 - 314)  
Report by Chief Internal Auditor
14. **STATEMENT OF GOVERNANCE AND INTERNAL CONTROL** (Pages 315 - 330)  
Report by Executive Director with responsibility for Legal and Regulatory Support
15. **LOCAL GOVERNMENT IN SCOTLAND - OVERVIEW 2023** (Pages 331 - 370)
16. **UNAUDITED FINANCIAL ACCOUNTS - TO FOLLOW**  
Report by Head of Financial Services
17. **WORKPLAN** (Pages 371 - 374)  
For noting and updating
- E1 18. **INTERNAL AUDIT REVIEW OF CLIENT FUNDS, ACTION PLAN UPDATE** (Pages 375 - 382)
  - 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 THURSDAY, 16 MARCH 2023**

**Present:** Martin Caldwell (Chair)

Councillor Daniel Hampsey  
Councillor Graham Hardie  
Councillor Reeni Kennedy-Boyle

Councillor Jim Lynch  
Councillor Andrew Vennard

**Attending:** Jane Fowler, Head of Customer Support Services  
Anne Blue, Head of Financial Services  
Paul MacAskill, Chief Internal Auditor  
Shona Barton, Governance Manager  
Stuart Green, Corporate Support Manager  
Morag Cupples, Principal Accountant  
Mhairi Weldon, Senior Audit Assistant  
Cameron Waddell, Mazars

## **1. APOLOGIES**

The Chair welcomed everyone to the meeting and in particular to Cameron Waddell from Mazars, who was attending his first meeting in his capacity of external audit.

Apologies for absence were intimated on behalf of:-

Councillor Mark Irvine

## **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 this item.

## **3. MINUTE OF PREVIOUS MEETING OF THE AUDIT AND SCRUTINY COMMITTEE HELD ON 20 DECEMBER 2022**

The Minute of the previous meeting of the Audit and Scrutiny Committee, held on 20 December 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 4 of 2022/23 against the following areas:

### **Audits Completed**

- Procurement

- Events Management
- Client Funds
- Customer Service Centre

### **Audits in Planning/Progress**

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

The report also included information on the work carried out by the Counter Fraud Team (CFT) and provided an update on the commencement of local work as a result of information received from 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 16 March 2023, submitted)

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

Consideration was given to a report which provided an update on all open actions as at 31 December 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 16 March 2023, submitted)

## **6. INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT**

Consideration was given to a report which provided information on the findings from the recent external quality assessment of the Council's Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

### **Decision**

The Audit and Scrutiny Committee reviewed and endorsed the findings of the assessment, at Appendix 1 of the report including the agreed action plan.

(Reference: Report by Chief Internal Auditor, dated 16 March 2023, submitted)

**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 of the work carried out in order to identify the six themes that underpin the review and outlined a number of questions which have aided in the identification of gaps and areas for improvement within the current system. Mr Caldwell advised that a draft report was currently being prepared and that he hoped to be in a position to provide the final report at the next meeting.

Councillor Jim Lynch, Chair of the Fly Tipping Review Panel provided a short update in relation to the progress made since the last meeting. Having previously advised of the difficulties in defining fly tipping and in particular to the issues that have presented in seeking information to allow for a fair review to be conducted, Councillor Lynch advised of the steps being taken to sort the disconnect to allow for the review to re-commence in the summer.

**8. 2023/24 INTERNAL AUDIT PLAN**

The Committee gave consideration to a report which introduced the 2023/24 Internal Audit Annual Audit Plan.

**Decision**

The Audit and Scrutiny Committee agreed and endorsed the Internal Audit Annual Plan 2023/24 (Appendix 1).

(Reference: Report by Chief Internal Auditor, dated 16 March 2023, submitted)

**9. EXTERNAL AUDIT - 2022/23 ANNUAL PLAN (Pages 7 - 22)**

The Committee gave consideration to a short presentation from Cameron Waddell, of Mazars, who have been engaged as the External Auditors of Argyll and Bute Council. Mr Waddell outlined the scope and approach of the audit process and advised of the development of the audit strategy and provided a draft timeline for the Financial Statements Audit 2022/23. He outlined the audit progress together with the wider scope of public audit which focuses on financial management; financial sustainability; vision, leadership and governance and the use of resources to improve outcomes, the results of which will be reported in the annual audit report. Mr Waddell spoke of the 7 themes of best value and highlighted the 2022/23 best value approach and provided detail on the revised ISA 315.

The Chair on behalf of the Committee thanked Mr Waddell for the information provided.

**Decision**

The Audit and Scrutiny Committee agreed to note the information provided.

(Reference: Presentation by Mazars, submitted)

**10. UNAUDITED ANNUAL ACCOUNTS 2022-23**

Consideration was given to a report which outlined the plans in place for financial year end 31 March 2023 and the preparation of the Council's Unaudited Annual Accounts for 2022-23.

**Decision**

The Audit and Scrutiny Committee agreed 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.

(Reference: Report by Head of Financial Services, dated 16 March 2023, submitted)

**11. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

Consideration was given to a report which outlined the proposed Treasury Management Strategy Statement and Annual Investment Strategy and set out the policy for the repayment of loans fund advances for 2023-24.

**Decision**

The Audit and Scrutiny Committee:-

1. agreed to endorse the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within;
2. noted 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;
3. noted the proposed asset repayment periods as detailed within section 2.7 of the Treasury Management Strategy Statement; and
4. noted 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.

(Reference: Report by Head of Financial Services, dated 16 March 2023, submitted)

Having noted the connectivity issues experienced by the Chair, the Committee agreed to adjourn for a short comfort break until 12:50pm. Upon resuming, all those present, were as per the sederunt.

**12. BEST VALUE IMPROVEMENT ACTION PLAN UPDATE**

The Committee gave consideration to a report which provided 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.

**Decision**

The Audit and Scrutiny Committee:-



1. noted the update against the themes of the Best Value Improvement Action Plan and the associated table set out within the appendix of the report; and
2. noted the introduction to the forthcoming change programme and that a new Best Value action plan would be presented to the Committee at a future meeting.

(Reference: Report by Chief Executive, dated 16 March 2023, submitted)

### **13. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL**

Consideration was given to a report which outlined the proposed changes to the Internal Audit Charter and Internal Audit Manual.

#### **Decision**

The Audit and Scrutiny Committee:-

1. approved the amended Internal Audit Charter (Appendix 1); and
2. approved the amended Internal Audit Manual (Appendix 2).

(Reference: Report by Chief Internal Auditor, dated 16 March 2023, submitted)

### **14. SCRUTINY FRAMEWORK AND MANUAL ANNUAL REVIEW**

The Committee gave consideration to a report which concluded the annual review to determine whether any changes were required to the Council's Scrutiny Framework and Manual.

#### **Decision**

The Audit and Scrutiny Committee agreed to note the outcome of the annual review of the Scrutiny Framework and Manual, as outlined in Appendices 1 and 2 of the report.

(Reference: Report by Chief Internal Auditor, dated 16 March 2023, submitted)

### **15. REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 (RIPSA) ANNUAL REPORT**

Having noted the legal requirements placed on the Council in relation to covert surveillance, the Committee gave consideration to a report which advised that between 1 January and 31 December 2022, the Council undertook no covert surveillance operations.

#### **Decision**

The Audit and Scrutiny Committee considered and noted the terms of the report.

(Reference: Report by Executive Director with responsibility for Legal and Regulatory Support, dated 16 March 2023, submitted)

### **16. WORKPLAN**

In order to facilitate forward planning or 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 16 March 2023, submitted)

The Chair advised that in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, that the information contained at agenda item 17(b) relating to the following item of business would require the exclusion of the press and public should any Member wish to discuss the content provided on the grounds that it was likely to involve the disclosure of exempt information as defined in Paragraph 6 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

**17. INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2022/23**

**(a) Covering Report and Internal Audit Reports**

The Committee gave consideration to a report containing the action plans in relation to the following 3 audits:-

- Live Argyll – Events Management
- Procurement
- Customer Service Centre

**Decision**

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

(Reference: Report by Chief Internal Auditor, dated 16 March 2023, submitted)

The Committee resolved in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the press and public for the following item of business on the grounds that it was likely to involve the disclosure of information as defined in Paragraph 6 of Part 1 of Schedule 7A to the Local Government (Scotland) Act 1973.

**(b) Internal Audit Report**

The Committee gave consideration to a report containing the action plan in relation to the Client Funds audit.

**Decision**

The Audit and Scrutiny Committee:-

1. agreed to note and endorse the summary report and the detail within the report;  
and

2. agreed that a follow up report would be brought to the June meeting of the Committee.

(Reference: Report by Chief Internal Auditor, dated 16 March 2023, submitted)

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**ARGYLL AND BUTE COUNCIL****AUDIT & SCRUTINY COMMITTEE****FINANCIAL SERVICES****20 JUNE 2023**

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**INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES**

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**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 one of 2023/24.

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

- **2023/24 Audit Plan progress:** On track subject to available resources being in place for the full period of the approved plan.
- **2022/23 Individual Audits undertaken:** Ten audits have been completed during the period. Three audits have been assessed as providing high assurance, three as substantial assurance, four reasonable assurance and none as limited assurance. This completes this audit plan. **(Where HSCP and LiveArgyll Audits are included these are provided for information only).**
- **Scrutiny:** Planned work for 2022/23 in relation to Consultations has been completed and forms part of the June agenda.
- **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 Ten audits have been completed since the previous Committee in March 2023.

**Audits Completed**

- Purchasing Cards
- Building Standards
- Cyber Security

- Management of Debt & Debt Recovery
- Burial Records
- Counselling in Schools
- Equality and Socio-Economic Impact Assessment
- Payroll
- LiveArgyll – Lochgilphead Community Centre
- LiveArgyll – Mid Argyll Sports Centre

### **Audits in Planning / in Progress**

reported to a future meeting of the Committee

- Risk Management
- Learning Disability Care Packages

3.2 In addition to those already in progress, indicative audits planned for Quarter 2 2023/24 are:

- Education Maintenance Allowance
- HSCP – Risk Management
- LGBF – Verification Audit
- SPT – Annual Claim Verification

### 3.3 **2022/23 Audit Plan**

- The plan is now completed and there are no items outstanding.

### 3.4 **2023/24 Audit Plan**

- Work has commenced on the approved plan and with work ongoing outlined in paragraph 3.2.

### **Scrutiny**

3.5 A significant piece of work has taken place in relation to the scrutiny topic agreed for the 2022/23 plan relating to consultations. This work was completed in May 2023 and forms part of this agenda for consideration by the Committee. A report on the scrutiny subject for 2023/24 will also be considered at this Committee and will relate to the outstanding working concerning 'Fly Tipping'. Work had previously been postponed until data became available to the Panel. It is now likely that this will be in the autumn/winter of 2023 but we will keep the Panel updated.

### **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 the team 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 visited Oban in the early part of the year which has resulted in the rebilling of a number of accounts, as well as a revisit to Bute and Dunoon in late February, and has provided some additional billing of due income after extended investigations. In April 2023 the team made a visit to Islay and in the middle of May 2023 also visited Tiree, both these visits proved very fruitful and rebilling and adjustments to accounts have already taken place.

The team aim to visit Mull in the coming months, in addition, a large scale review will take place in the summer months and will aim to visit Helensburgh, Cardross and Rhu.

The CFT have also been assisting with 'Aged Debt' and how best to recover these funds and this work is ongoing in order to provide support to teams from Infrastructure and Legal.

**Additional Updates from Quarter One**

3.7 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, including lone worker best practice.

3.8 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. This review has been completed and the findings were reported to the March 2023 meeting of the Committee. The Self-Assessment against the PSIAS for 2023 will be reported to the September meeting of the Committee.

**Continuous Monitoring**

3.9 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   |                             |
|                |              |                   |                             |

3.10 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

- 3.11 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 and due to be reported in quarter 1 2023/24.

**Table 3: National Reports**

| National Report                        | Issued To                             | Detail  | Management response/ Action taken   |
|--|---------------------------------------|---|---|
| Resourcing the benefit service         | Chief Executive                       | Many people are waiting longer for housing benefit claims to be processed as services across Scotland's councils face rising workloads, fewer staff and high sickness absence levels. | This report largely supports the conclusions of a recent Business Process Re-engineering exercise for our Benefits and Revenue team of which are currently being implemented and therefore note the national report and no further action.  |
| Public sector gender pay gap reporting | Executive Director<br>Kirsty Flanagan | Analysis of public sector reporting highlighting areas of good practice, common pitfalls, findings and areas for improvement.   | A gender pay gap report is being prepared in order to meet our public sector equality duty reporting, the content of the national report will be of assistance in this process. The gender pay gap report was submitted to the May meeting of the Policy and Resources Committee. |

### National Fraud Initiative (NFI)

- 3.12 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.
- 3.13 The new NFI exercise has been released after some technical delays from the Cabinet Office. This exercise will be conducted throughout the year by officers and matches checked and closed accordingly. NFI have announced more data releases in the coming month and any matches will be addressed when these become available. The current NFI matches are below in the NFI section of his report. The CFT are reviewing the information received from the National Fraud



Initiative (NFI) matching service, work has commenced to follow these up locally. 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.

**Table 4: National Fraud Initiative Progress at 30/04/2023**

| 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            | 11  | 11               | 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                                       | 152              | 0     | Blue badge records to DWP data to identify deceased claimant with valid badge.  |
| Housing Waiting list  | 232           | 214                                       | 1                | 0     | Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.   |
| Council Tax Reduction | 270           | 138                                       | 51               | 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   | 19               | 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   | 10               | 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.   |

\* Work in Progress

**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

3.14 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.   | Draft AGS has been prepared and Internal Audit Annual Report with cross linking of each document. | Completed June 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  | Completed 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.<br><br>Consider adding test to review date taken to process invoices from date of receipt within the Council (not at Creditors) | In progress   | August 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 and will form part of the June agenda.                              | June 2023 Completed  |

3.15 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**

| <b>Internal Audit Team Scorecard 2022– 23 – FQ4 22/23 (as at March 2023)</b> |        |          |        |
|--|--------|----------|--------|
| <b>BO115 We Are Efficient And Cost Effective</b>                             |        |          |        |
|  |        |          |        |
| Internal Audit Level of Satisfaction   | Actual | 96%      | G<br>↑ |
|  | Target | 80%      |        |
| Review of Strategic Risk register  | Status | Complete | G<br>↑ |
|  | Target | Complete |        |
| Percentage of audit plan completed   | Status | 100%     | G<br>→ |
|  | Target | 100%     |        |
| Percentage of audit recommendations accepted by management                   | Actual | 100%     | G<br>→ |
|  | Target | 100%     |        |

#### **4 CONCLUSION**

- 4.1 The 2023/24 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**  
**20 June 2023**

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ARGYLL AND BUTE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

FINANCIAL SERVICES

20 JUNE 2023

## INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2023/2024

**1. EXECUTIVE SUMMARY**

- 1.1 There are ten 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 |
|---|--------------------|--------------|----------------|-------------|-------------|
| Purchasing Cards                              | Reasonable         | 0            | 9              | 4           | 0           |
| Building Standards                            | High               | 0            | 0              | 1           | 1           |
| Cyber Security                                | Substantial        | 0            | 5              | 1           | 0           |
| Management of Debt & Debt Recovery            | Reasonable         | 0            | 4              | 3           | 1           |
| Burial Records                                | Reasonable         | 1            | 3              | 2           | 0           |
| Counselling in Schools                        | Substantial        | 0            | 0              | 2           | 0           |
| Equality and Socio-Economic Impact Assessment | Substantial        | 0            | 1              | 4           | 0           |
| Payroll                                       | Reasonable         | 0            | 5              | 0           | 0           |
| LiveArgyll – Lochgilphead Community Centre    | High               | 0            | 0              | 0           | 0           |
| LiveArgyll – Mid-Argyll Sports Centre         | High               | 0            | 0              | 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:

**Purchasing cards:** Our overall audit opinion for this audit is that we can take a reasonable level of assurance. 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. At times, procurement

procedures are not being followed and procurement teams are not consulted prior to purchases in excess of £1,000. Testing of payments in excess of £10,000 identified transactions with a total value of expenditure with one company exceeding £50,000. Transactional testing was unable to obtain evidence of prior approval for 42% of transactions, some approval is verbal or via retrospective purchase orders. There is currently no formal process in place to ensure that the budget holder has approved amendments to card limits. The Education Purchasing Team (EPT) was reinstated in 2020 and has been extended to March 2025 supporting Head Teachers and central education staff to deliver an increase in contracted spend. While the review identified that there is still work to be done in this area there are positive indications that there is a shift in culture towards engaging with EPT. The Procurement Team set up a Council Amazon Business account. This process is working well and has already delivered significant savings which are reported by Procurement Team. While the testing of the imprest account process is not within the scope of this review, we identified situations where staff other than the cardholder withdraw cash using their purchase card. Receipts and invoices are not always added to the banking system. Staff working remotely, or in non-Council networked properties may not have access to appropriate technology or have been provided guidance on alternative ways to upload this information.

**Building standards:** 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 is a clear commitment to providing a fully digital verification service with supporting information available to the public via the Council's website. Staff are appropriately trained and qualified with formal partnership arrangements in place to provide specialist support. Officers are allocated work on a competence basis and are appropriately supervised. Systems are managed by the Council's ICT Services and administered by Building Standards who train and support users. Performance information is extracted from the Building Standards system, reported to Scottish Government and published on the Council's website in a timely manner, however, this employs additional software which may be subject to additional costs in the future. Regular meetings take place with the finance contact and the service income is on track to exceed costs incurred. Areas for improvement are identified by appropriate means and published on a log along with details of progress made. Collaborative working take place with other verification authorities to discuss issues and share best practice.

**Cyber security:** This audit provided a substantial level of assurance. This means that 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. An Acceptable Use Policy was updated in October 2021 and provides instructions and guidance to employees to ensure responsible use of systems and data, however, the Cyber Security Policy has not yet been completed. The Council's Strategic Management Team (SMT) review and update cyber risks on a 6-monthly cycle as part of the review of the Strategic Risk Register, however they do not receive regular updates from the ICT Compliance and Security Officer (ICT-CSO) regarding newly identified risks and statistics indicating the volume of cyber attacks deterred by the service. The Council has achieved compliance

with the Public Sector Network (PSN) code of connection as well as Cyber Essentials+ reaccreditation. Networking takes place with other local authorities to share information and conferences are attended to learn from subject experts. The ICT-CSO holds the CompTIA Security+ certification and is responsible for cyber security in addition to other duties and is designated as manager in the cyber incident response plan. There is no deputy appointed to cover in the absence of the ICT-CSO and with the increasing workload advised by the National Cyber Security Centre (NCSC) it would appear that the Council is under-resourced in this high risk field of expertise in comparison to other local authorities where the majority contacted have teams in place. Periodic reminders of safe cyber practices are issued to employees and brief training videos are issued monthly, however, these are not completed by all users. A comprehensive Cyber Incident Response Plan, Playbooks and Disaster Recovery Plans have been prepared and tested with positive feedback recorded following a corporate exercise in March 2022.

**Management of debt and debt recovery:** This audit provided a reasonable level of assurance. This means that 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. This review covered the management and recovery of debt over four areas – Council Tax, Non Domestic Rates, Housing Benefit Over Payments and Sundry Debtors, which are invoices raised by Services. We found no significant issues in relation to processes and procedures for Council Tax, Non Domestic Rates and Housing Benefit Over Payments, most of which are covered by legislation and are working well. The contents of this report largely covers findings regarding the management and recovery of Sundry Debtors. The Corporate Debt Policy and the Debtors Procedure Manuals have not been updated since 2017 and do not reflect the current Council organisational structure nor current working practices. A Business Process Review (BPR) is currently being undertaken, this includes a review of debt management and recovery policies and procedures. Our overall conclusion is that debt management and arrears follow-up procedures relating to Sundry Debtor invoices are not carried out in accordance with procedures. Testing identified a number of issues which are detailed in the body of report. A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out.

There are no performance measures in place to monitor recovery of Sundry debt. Quarterly meetings with Legal Services to discuss recovery of Sundry Debtors were postponed during the pandemic, these have not been re-instated. The value of debt being actively managed is not easily quantifiable. Management information relating to Sundry Debtors is not made widely available. Provisions for Bad Debt are set in accordance with procedures.

**Burial Records:** This audit has provided a reasonable level of assurance. This means that 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. Policies and procedures are in place, however, these require to be reviewed on a regular basis, additionally, there is no procedure for managing records resulting in some inconsistencies across the service area locations. The BACAS electronic burial register is updated promptly upon receipt of details and

traditional registers updated soon afterwards. There is no record of private home burials and documentation in support of exhumations was not available at the time of the review. The BACAS system is installed on a terminal server that is accessed remotely by users via network credentials, however, there is no further authentication required to logon to the system to prevent unauthorised access. Traditional registers are stored safely in locked rooms, safes and filing cabinets, saved electronic forms are securely managed on shared drives and printed documents are managed by the Council's secure printing service. Burial registers are not made available to the public to view to maintain compliance with GDPR, however, extracts of information can be provided upon request and payment of the appropriate fee.

**Counselling in schools:** this audit provided a substantial level of assurance. This means that 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. Temporary funding provided to the Council was utilised to develop a counselling in schools service which has been in place since January 2021. The Council did not have an existing counselling service therefore there were delays in the commencement of the service resulting in Year 1 funding being underspent. After discussions with partners and careful consideration it was agreed that the counselling service would be delivered by the HSCP with funding transferring from Education to the NHS. There are no records to support the appraisal and decision making process for the delivery of counselling services. Over 729 young people engaged with the service during the period of funding to December 2022. Whilst we can draw a substantial level of assurance that young people have benefited from the delivery of an effective counselling service based on the outcomes measured against the ten nationally agreed core principles, the funding provided by the Scottish Government was not fully utilised and has carried forward an underspend to a new project. The impact of counselling is assessed using the Strengths and Difficulties Questionnaire (SDQ) and the Young Persons CORE 10 (YP-CORE 10) which are both assessment tools used to evaluate progress. The outcomes set were in line with the Scottish Governments Core Principles and reporting requirements. Councils were required to submit regular reports on a six monthly basis to the Scottish Government detailing outcomes over the period, this was done on a standard template.

**Equality and Socio-economic impact assessments:** this audit provided a substantial level of assurance. This means that 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. Equality and Socio-Economic Impact Assessment processes are in place which reflect current legislative and regulatory requirements. The Council have published guidance for staff entitled 'Argyll and Bute Equality and Socio-Economic Impact Assessment (2020) Guidance'. This guidance sets out the council's Equality and Socio-Economic Impact Assessment (EqSEIA) process, why we have one, and how it is used. EqSEIAs are being undertaken, however, there are inconsistencies in practice across the Council. We reviewed papers submitted to Committees for decision and the budget pack, specifically looking to ensure that when required the EqSEIAs had been completed. The review of papers submitted indicate that a number of EqSEIAs had been missed by the responsible service. The Council



is required to publish, at intervals of not more than two years, a report on the progress it has made to make the general equality duty integral to the exercise of its functions. The Council have published and made available on the Council's website the 'Equalities Mainstreaming Report and Equality Outcomes' every two years since 2013, the most recent report in 2021.

**Payroll:** This audit has provided a reasonable level of assurance. This means that 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. Payroll are dependent on the systems and processes in place which inform them of additions or changes within the payroll system. The efficiency of the whole process is heavily reliant on managers within the services inputting the correct information and uploading all the relevant paperwork in a timely manner. Whilst there are well understood processes and procedures in place for the management of payroll updates, the whole process is hugely inefficient. Each step of the process requires considerable amounts of manual intervention with the same basic information requiring to be keyed in separately by HR&OD and payroll, increasing the risk of error. A combination of the challenges that can be experienced at times, include payroll not being updated in a timely manner. Payroll have established timetables which are available on the HUB for staff to view. The number of payroll errors and late submissions to payroll are tracked on a spreadsheet and reported each quarter. Reliance was placed on work undertaken as part of the continuous monitoring process. Staff are restricted from certain areas of the systems and can only access data/areas that fall within their job remit. User lists and access right are reviewed on a monthly basis and are updated as and when Payroll are notified of any leavers.

**LiveArgyll – Lochgilphead Community 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. Audit testing on LiveArgyll establishments are predominantly observational, therefore, any issues that are highlighted are based on what was witnessed on the day of the visit. Recommendations are not included in the reports and LiveArgyll management determine whether any corrective action is required. Under any 'areas for consideration' management will take appropriate action. (For Information only)

**LiveArgyll – Mid-Argyll Sports 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. Audit testing on LiveArgyll establishments are predominantly observational, therefore, any issues that are highlighted are based on what was witnessed on the day of the visit. Recommendations are not included in the reports and LiveArgyll management determine whether any corrective action is required. Under any 'areas for consideration' management will take appropriate action. (For Information only)

#### **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 – The implementation of recommendations contained in audit reports may help mitigate the risk to the Council.  
5.8 Customer Service – None

**Paul Macaskill**  
**Chief Internal Auditor**  
**20 June 2023**

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#### **APPENDICES**

1. Purchasing Cards
2. Building Standards
3. Cyber Security
4. Management of Debt/Debt Recovery
5. Burial Grounds
6. Counselling in Schools
7. Equality and Socio-Economic Impact Assessment
8. Payroll
9. LiveArgyll – Lochgilphead Community Centre
10. LiveArgyll – Mid-Argyll Sports Centre

## Argyll and Bute Council

## Internal Audit Report

June 2023

FINAL

# Purchasing Cards

Audit Opinion: Reasonable

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 9      | 4   | 0   |

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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 2023, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Purchase Cards.
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. Public procurement is the process by which public bodies acquire goods, services and works from third parties to meet customer and service user needs. Procurement covers all activities from identification of a requirement to spend to the receipt of goods or services.
5. Legislation governs how Scottish public bodies buy their goods, services and works. All purchasing must take place in accordance with the statutory duty to secure best value under the Local Government (Scotland) Act 2003.
6. To achieve best value, Argyll and Bute Council (the Council) is required to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, have regard to economy, efficiency, effectiveness, and equal opportunities requirements which contribute to the achievement of sustainable development.
7. The Council uses purchasing cards as a method of payment covering a wide range of purchases/transactions. They operate in a similar way to any type of bank card and are issued to an individual who are then provided with a unique personal PIN number.
8. The Council currently has approximately 200 purchasing cards in circulation and in 21/22 the total value of purchase card expenditure was £2.07 million, across 14,697 transactions. Although purchase card expenditure represents only 1% of the Council's total spend (£171.4m for 21/22), it accounts for 18% of invoices and has generated income in the form of a rebate based on card usage, of £12,835 which is paid to the Council by the card issuer.
9. In February 2022 an Internal Audit of purchasing cards found it difficult to establish whether transactions carried out via purchasing cards were achieving best value. At that time no detailed analysis of purchase card transactions had been carried out for the reasons below:
  - the majority of purchase card transactions fell within the procurement threshold of £0 - £999 for which there was limited guidance available.

- there was no requirement to record purchase card transactions on PECOS;
- purchase card transaction reports were not provided to the procurement team.

## Scope

10. The scope of the audit was to review compliance with procedures and authorisation processes to establish value for money as outlined in the Terms of Reference agreed with the Procurement Commercial & Contract Management Team Manager on 31 January 2023.

## Risks

11. The risks considered throughout the audit were:
  - **Audit Risk 1** - Failure to ensure key system, financial and management controls are in place and operating effectively
  - **Audit Risk 2:** Failure to ensure all expenditure has been incurred in compliance with agreed procurement procedures
  - **Audit Risk 3:** Failure to achieve best value through the procurement process

## Audit Opinion

12. 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.
13. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. 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.

## Recommendations

14. We have highlighted nine medium priority recommendations and four low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - “Purchase cards – Payment Method and not procurement route \_Supplementary Guidance to cardholders” should be recirculated to all staff with a reminder that the guidance must be followed, including the importance of obtaining value for money
  - The Procurement Manual should include details of the purchase cards supplementary guidance note to be followed
  - Budget holders should be provided with a list of purchase card holders who have been given authority to pay for goods and services to meet operational needs. The Purchase Card Holder list should be circulated to budget holders on a regular basis to confirm that purchase card holders, their limits , approvers and administrative delegates are still appropriate
  - Appropriate procedures should be put in place to ensure that purchase card transactions are approved by the Budget Holder prior to purchases being made

- Increases or decreases to purchase card limits must be approved by the budget holder or Head of Service in advance of any change and procurement should be notified prior to any increases over £1000
- Single purchases which exceed the procurement thresholds identified as route 1 and route 2 must be notified to the procurement team in advance of the purchase
- Consideration should be given as to how processes can be streamlined to ensure that purchase card transactions are appropriately recorded, authorised and with sufficient supporting documentation to evidence the purchase. The use of PECOS is considered best practice.
- Transaction limits on the banking system must not exceed the purchase card limit
- Card holders must not make personal purchase cards available to any other member of staff for the purposes of procurement of goods and services or pass on the card PIN number
- A review of procurement methods using purchase cards over the internet should be undertaken and appropriate guidance added to the Procurement Manual and circulated to purchase card holders and all relevant staff
- A review of individual card holder high volume/high value transactions should be undertaken and a review of education purchase card spend carried out with consideration given to restricting the volume/value of transactions each month
- In order to allow greater scrutiny and determine whether best value can be demonstrated, the procurement team should have authority to access other system(s)
- Facilities to record and upload copies of invoices and receipts must be made available to staff and staff reminded of the importance of providing evidence to support purchases

15. 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

16. 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

|   | <b>Control Objective</b>  | <b>Link to Risk</b> | <b>Assessment</b> | <b>Summary Conclusion</b>  |
|---|---|---------------------|-------------------|--|
| 1 | Procurement procedures have been updated and circulated to purchase card holders and authorisers to provide guidance for transactions below £1000 | Audit Risk 1        | Reasonable        | Senior staff within the Procurement and Contract Management Team (PCMT) produced a supplementary guidance note titled "Purchase cards – Payment Method and not procurement route _Supplementary Guidance to cardholders". This was distributed to purchase card holders and authorisers. This Supplementary Guidance Note should be added to The Procurement Manual. |
| 2 | Purchasing card expenditure complies with the Council's   | Audit Risk 2        | Limited           | Purchases made using purchase cards, at times do not comply with the Council's procurement guidance. The Councils Authorised Signatories list  |

|  |                             |  |  |  |
|--|-----------------------------|--|--|--|
|  | <p>Procurement Guidance</p> |  |  | <p>forms an operational part of the Scheme of Delegation and should provide a record of those staff who have been authorised to act in respect of payments and specify the limits of their authority. In recognition that purchase cards are a method of payment and not authorisation to spend the Authorised Signatories List does not have a category for purchase cards, however, Creditors maintain a spreadsheet of purchase card holders and their card limits. Transactional testing was unable to obtain evidence of prior approval for 42% of transactions, some approval is verbal or via retrospective purchase orders.</p> <p>In addition, at times, procurement procedures are not being followed and procurement teams are not consulted prior to purchases in excess of £1,000. Testing of payments in excess of £10,000 identified transactions with a total value of expenditure with one company exceeding £50,000.</p> <p>We identified an instance where spend had been incurred for Council purposes via EBay and PayPal, there is currently no guidance for cardholders for using such sites.</p> <p>Education account for a significant volume of transactional spend using purchase cards. The Devolved School Management (DSM) scheme, empowers Head Teachers to determine the purchasing requirements for their schools within their budgets and in accordance with the Council's procurement processes/regulations &amp; procurement manual. The Education Purchasing Team (EPT) was reinstated in 2020 and has been extended to March 2025 supporting Head Teachers and central education staff to deliver an increase in contracted spend. While the review identified that there is still work to be done in this area there are positive</p> |
|--|-----------------------------|--|--|--|



|   |   |              |            |  |
|---|---|--------------|------------|--|
|   |   |              |            | <p>indications that there is a shift in culture towards engaging with EPT, seeing EPT as an additional resource which can free up staff time within schools and make the budgets go further.</p> <p>Requests to Creditors for temporary or permanent increases in spend and changes to categories of spend are either verbal or by email. There is currently no formal process in place to ensure that the budget holder has approved any changes.</p>   |
| 3 | Purchasing Card expenditure is recorded in a manner that allows the Council's Procurement Team to determine whether best value has been achieved. | Audit Risk 3 | Reasonable | <p>Analysis of purchase card spend by the Procurement Team identified that orders via Amazon account for a large volume of uncontracted transactions. In order to gain oversight of items being purchased, the Procurement Team set up a Council Amazon Business account. This process is working well and has already delivered significant savings which are reported by Procurement Team.</p> <p>One of the difficulties in trying to gain control of purchase card spend is that Procurement and Finance staff do not get sight of departmental spend until the transactions and invoices are uploaded and coded via the banking system to the general ledger. Procurement staff do not have access to the banking system so cannot see invoices which are not recorded on PECOS.</p> <p>Receipts and invoices are not always added to the banking system. Staff working remotely, or in non-Council networked properties may not have access to appropriate technology or have been provided guidance on alternative ways to upload this information.</p> |

17. In order to gather information for this review, a survey was issued to cardholders, authorisers, delegates and budget holders, we received 109 responses. Additionally, 60 purchase card transactions were selected for testing from the three months, January, February and March

2023. Further transactional testing was undertaken where potential issues were identified. The results of the 102 respondents and the transactional testing are included within the detailed findings below.

18. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

[Procurement procedures have been updated and circulated to purchase card holders and authorisers to provide guidance for transactions below £1,000](#)

19. The Council's Procurement Strategy sets out a framework which is designed to enable the Council's to continue to make sure it complies with statutory procurement duties while promoting the benefits of early procurement engagement and increasing the level of collaboration both internally, between services and externally with other partners. Purchase cards as a payment method are cross departmental, are administered by Creditors whose tasks include issuing of procedure notes and guidance documents. Cards are requested by Services who are responsible for compliance with the Councils Financial Standing Orders and procurement rules. The use of purchase cards is now widespread and an established part of the Council's daily mechanism for payment of goods, supplies and services.
20. The 2021/22 internal audit of Purchase Cards identified a potential gap within the procurement guidance for purchases below £1,000. The Procurement and Contract Management Team (PCMT) subsequently produced a supplementary guidance note "Purchase cards – Payment Method and not procurement route \_Supplementary Guidance to cardholders". The document is concise and clearly states that purchase cards are a method of payment only and should not replace any procurement process. It outlines the Council's procurement thresholds and describes in detail the recommended actions required for purchases under £1,000.
21. The Supplementary guidance was issued to all cardholders, delegates and authorisers in October 2022. Of the 109 responses received from the survey undertaken, 70 said they had received the guidance and 32 said they had not or were unaware. Of the 86 cardholders surveyed, 41 indicated that they do not refer to the guidance when planning a purchase.

**Action Plan 1**

22. Within the Procurement Manual purchase cards are not listed as a supplementary guidance note to be followed, nor does it reference the Education Purchase Team.

**Action Plan 2**

[Purchasing card expenditure complies with the Council's Procurement Guidance](#)

23. When providing staff with a corporate purchase card, the Council is granting card holders the ability to pay for goods and services on its behalf up to an agreed card limit. The Council's Constitution, Part D sets out the Financial and Regulations, Section 7 Systems and Procedures, states:

"Executive Directors will ensure that a proper scheme of delegation has been established within their department and is operating effectively. The scheme of delegation should identify staff

authorised to act on the Executive Director's behalf in respect of payments, income collection and placing orders together with the limits of their authority".

24. The Councils Authorised Signatories list forms the operational part of the Scheme of Delegation and provides a record of those staff who are authorised to act in respect of payments within specified limits of their authority. As purchase cards are a method of payment the Authorised Signatory list does not have a category to record Purchase Card Holders or their card limits. A detailed spreadsheet is maintained by Creditors recording purchase card holders, their card limits, their single transaction limit, the approver and any administrative delegates. This is not currently circulated to budget holders for review. Requests for a purchase card within specified limits and categories must be signed by either the Head of Service or the budget holder.

### **Action Plan 3**

25. Prior to using a purchase card appropriate approval should always be obtained, and retained, prior to a purchases being incurred. Of the cardholders who are not on the Authorised Signatories List, 23% stated they did not obtain approval prior to spend, either from a budget holder or the authorised signatory. Of those who did get prior approval, 23% stated that this was verbal approval only. The Council's Constitution states that verbal approvals should only be given in an emergency and should be confirmed in writing immediately. Anecdotal evidence, gathered from conversations, emails and the survey suggests that some staff consider retrospective purchase orders as evidence of appropriate approval and therefore mitigates this risk, however, that spend has already taken place. Transactional testing was unable to obtain evidence of prior approval having been sought for 42% of transactions. It is budget holder's responsibility to provide clear instructions and approval to purchase card holders, outlining what goods and services they require the card holders to purchase. Procurement thresholds must be adhered to.

### **Action Plan 4**

26. A review of the current list of card holders found that card limits are mostly within the range of £200 to £5,000 and with only a few up to £10,000. The exception being the Procurement team and Fleet who have higher limits due to their unique and specific roles. There is currently one card holder, who has higher limit than staff within the procurement team.

27. There are occasions where cardholders may require a short term increase of their limit e.g. schools paying for school trips. Transactional testing identified instances where card limits or single transaction limits have been breached. At present requests for an increase on the card limit is made by phone call or email to the purchase card administrator who contacts the bank to arrange for a short term increase, normally until the end of the next monthly statements. There is no formal procedure in place to request increases or decreases to card limits. In addition, there is no requirement to obtain or retain either budget holder or Head of Service approval for requested changes.

### **Action Plan 5**

28. At present, where card limits exceed normal procurement thresholds there is no requirement to notify the Procurement team, increasing the risk that procurement procedures will not be followed. A summary of the Council's Procurement thresholds for Supplies/Goods/Services spend are:

- £0-999 - Pricing agreement should be reached prior to purchase, with ordering from an e-cat or external marketplace on PECOS should be considered first
- £1,000 - £49,999 – Route 1 new procurements of this value should be procurement team led. Your procurement officer, Education Purchasing Team, Travel & Accommodation Team, Corporate Purchasing Team or D&I Purchasing Team can all support with these requirement.
- £50,000 - £181,302 – Route 2 procurements of this value must be procurement team led.

Specific testing of payments over £10,000 identified transactions where the total value of expenditure with one company exceeded £50,000 that had not been referred to the designated Procurement team. While the expenditure was necessary to deliver essential services, it was an annual planned spend and the cardholder, at that time, was not authorised to award contracts on behalf the Council. The transactions are not recorded on PECOS and the supplier was not an approved Council contracted supplier, at that time. This transaction required an increase to the card limit, and payment of each invoice was split over two transactions. We checked further transactions for this card and over the 3 months there were 76 transactions none of which are recorded on PECOS, in addition of these 11 were over £1,000. This increases the risk that the Council may not be able to evidence compliance with its statutory duties in relation to Procurement Regulations. The Service were contacted and are now engaging with the Procurement Team to remedy this going forward.

#### **Action Plan 6**

29. There is further evidence that some purchases are made which do not follow Council procurement guidelines. A search of PECOS found that of 27 transaction recorded, 18 of these were retrospective orders. In addition, 28 transactions could not be found, 9 invoices were valued between £1,000 and £3,000 with no evidence of engagement with the procurement team. This picture is consistent with survey responses where 54 cardholders said they do not create an order on PECOS before using the card, reasons include, replacement for imprest account, three staff do not have access to PECOS, it was not possible to get costings beforehand and it was felt that double processing is inefficient if staff have to record purchases both on banking system and PECOS. The use of PECOS to seek pre- approval for purchases is considered best practice.

#### **Action Plan 7**

30. A sample check of the banking system comparing credit limits with single transaction card limits identified three cards where the single transaction limit is higher than the card limit.

#### **Action Plan 8**

31. Where bank closures resulted in staff being unable to withdraw cash for traditional imprest accounts, staff were issued purchase cards and Personal Identification Numbers (PIN) to enable them to withdraw cash. While the testing of the imprest account process is not within the scope of this review, we identified situations where staff other than the cardholder withdraw cash using their purchase card. The sharing of a PIN number does not comply with the bank's terms and conditions. Conversations with staff identified that the reasons behind this was either the card was being treated as the office/service card or for operational reasons, for example staff

working shifts and emergency purchases like food shopping or emergency clothing for children needed to be provided.

## **Action Plan 9**

32. During the review we identified instances where spend has been incurred for Council purposes via EBay and PayPal. This increases the risk that the Council is engaging with suppliers without the protection of the checks afforded by procurement, for example, that the items purchased meet quality standards and that the purchase card may be made using a personal account.

## **Action Plan 10**

33. Education account for a significant volume and value of transactional spend via purchase cards. The Devolved School Management (DSM) schemes set out local authorities' financial processes for funding their schools, how they delegate some financial decisions to their schools, and the accountability and responsibility for financial decisions with guidance contained within the Education Reform Joint Agreement 2018. Head Teachers are empowered to determine the purchasing requirements for their schools within the budgets devolved to them and are required to follow procurement procedures.

34. The Education Purchasing Team (EPT) was reinstated in 2020 for a period of two years. A key factor in this decision, was that an internal audit report identified - "There is a general lack of awareness amongst Head Teachers of the processes to follow when making purchases over £1,000 and sample testing confirmed a lack of compliance with those processes." The EPT has been extended until 31 March 2025, having been considered a success with one of the key benefits being an increase in contracted spend. The EPT team have produced a very clear detailed Education Buying Guide which includes names of specific suppliers and contracts for common educational purchases and instructions on how to purchase from these routes.

35. Interpretation of the transactional data highlighted that in the 3 month period January to March 2023, one Budget Holder within Education, was the second highest user of a purchase card in terms of both number of transactions and volume of spend with a total of 367 transactions amounting to the value of £33,569 (some of these are cash in lieu of the imprest account). There were 6 transactions over £1,000 where there was no supporting evidence of engagement with the procurement team. Procurement Team have reviewed and discussed these with the Budget Holder who is now engaging with EPT.

## **Action Plan 11**

36. The findings from our survey and testing, although not limited to education, did identify issues within schools, which include verbal requests for purchases, retrospective purchase orders being seen as sufficient approval, not following the procurement guidelines and what appears to be very frequent ordering, some purchases appear as frequent as multiple times in one day. This may not be an efficient use of staff resources, compared with a planned once a week ordering, unless there is specific and an urgent requirement to do so. In addition, controls in place to prevent the use of non-contract suppliers and unregulated procurement are not as effective when purchases are not routed via Procurement Team.

## **Action Plan 1**

Purchasing Card expenditure is recorded in a manner that allows the Council's Procurement Team to determine whether best value has been achieved

37. Analysis of the existing spend profile (financial year 2020/21) has identified the volume of uncontracted suppliers as a priority area of focus. Some actions that are in the strategy to address this include:
- To continue to work with all services to implement the No Purchase Order No Payment; eventually resulting in the stopping of all relevant manual batched payments and providing the PCCMT access to line item detail of all supplier spend.
  - To continue to support all services to source and purchase goods and services from national and local contracts where possible.
  - To continue to increase the remit of the Transactional Purchasing Team (TPT)
  - To continuously review the eProcurement System (PECOS) to ensure catalogues and suppliers are up to date and available for use by both the TPT and service end users.
  - Continue to support Education Services with all procurement activity via the Education Purchasing Team to increase Education's volume of spend under contract.
38. During the COVID 19 pandemic business continuity period there have been increased risks of more unregulated expenditure due to more home and remote working, together with increased potential for contracted suppliers to be unable to deliver the goods and services required of the Council.
39. Analysis of purchase card spend by the Procurement Team identified that orders via Amazon, account for a large volume of uncontracted transactions. In order to gain oversight of items being purchased, the Procurement Team arranged the setting up of a Council Amazon Business account. Now orders are placed with a Council email address and are routed to the Procurement Team for approval where it is established that the purchase represents best value, or rejection where the purchase does not represent best value e.g. the items are available through a contracted supplier or this is not an appropriate route to purchase e.g. spend on IT equipment which should be routed via ICT department. Another benefit is the Amazon account retains all the invoices for purchases. This process is working very well and has already delivered significant savings which are reported by Procurement Team.
40. One of the difficulties in trying to gain control of purchase card spend is that Procurement and Finance staff do not get sight of departmental spend until the transactions are processed through the general ledger and reports are issued. Purchase card statements are monthly which can indicate that the actual transactions may have occurred almost 2 months earlier. Purchase card transactions are coded to the relevant cost centre by cardholders in the banking system which has a mandatory requirement to upload a receipt for every transaction, these are then authorised by the approver. Currently, staff within the procurement team do not have access to this system, therefore cannot see invoices/receipts for purchases not recorded on PECOS and making it challenging to determine whether best value has been achieved.

## **Action Plan 12**

41. A check of transactions on the banking system was undertaken to establish whether invoices and receipts that are not recorded on PECOS have been uploaded as required. We found multiple instances where instead of an invoice, a pdf stating "no receipts available" or "receipts retained in the office and available to view if required". Discussions with staff have indicated that due to

hybrid working, not all staff have ready access to a scanner/appropriate equipment to digitalise the receipts/invoices. This has the potential to result in loss of income due to transactions being coded as 'Outwith the Scope' of VAT. While VAT testing was not part of this review, we referred some transactions to the VAT Team for further review.

**Action Plan 13**

## Appendix 1 – Action Plan

|        | No | Finding  | Risk  | Agreed Action  | Responsibility / Due Date                |
|--------|----|--|---|--|--|
| Medium | 1  | <p><b>Supplementary Guidance</b></p> <p>Supplementary guidance was issued to all purchase cardholders, delegates and authorisers in October 2022. Of the 109 responses received from the survey undertaken, 70 said they had received the guidance and 32 said they had not or were unaware. Of the 86 cardholders surveyed, 41 indicated that they do not refer to the guidance when planning a purchase.</p>                                     | Inconsistencies in use of purchase cards              | The supplementary guidance will be reissued to all cardholders, delegates and authorisers after it has been updated by PCCMT – per action point 10                             | Creditors Supervisor<br>31 December 2023 |
| Medium | 2  | <p><b>Procurement Manual</b></p> <p>Within the Procurement Manual purchase cards are not listed as a supplementary guidance note to be followed.</p>   | Inconsistencies across procedures                     | Guidance note to be added to Manual by PCCMT.  | PCCMT Manager<br>31 December 2023        |
| Medium | 3  | <p><b>Purchase Card Holder List</b></p> <p>Purchase cards are a method of payment a detailed spreadsheet is maintained by Creditors providing details of purchase card holders, their card limit, the single transaction limit, the approver and any administrative delegates This is not currently circulated to budget holders for review.</p>   | Operational needs of services may not be appropriate. | The Purchase cardholder list will be circulated to Budget Holders for review. This be an annual process  | Creditors Supervisor<br>31 December 2023 |
| Medium | 4  | <p><b>Approval to use Purchase Card</b></p> <p>Prior to using a purchase card appropriate approval should always be obtained, and retained, prior to a purchases being incurred. Of the cardholders who are not on the Authorised Signatories List, 23% stated they did not obtain approval prior either from a budget holder or the authorised signatory. Of those who did get prior approval, 23% stated that this was verbal approval only.</p> | Un-authorised use of purchase card                    | A reminder will be added to the email to Budget Holders circulating the Purchase Card Holder list that is their responsibility to approve spend prior to purchases being made. | Creditors Supervisor<br>31 December 2023 |



|        | No | Finding   | Risk                                      | Agreed Action   | Responsibility / Due Date  |
|--------|----|---|---|---|--|
| Medium | 5  | <p><b>Changes to Purchase Card Limits or Categories of Spend</b></p> <p>There is no procedure in place to request increases or decreases to card limits or changes to spend categories. In addition, there is no requirement to obtain or retain either budget holder or Head of Service approval for requested changes within purchase cards or a procedure in place for such changes.</p>               | In-appropriate use of purchase cards      | <p>A form will be introduced which will be issued to Budget holders whenever a permanent increase or decrease to the Card limit is required.</p> <p>For temporary limits up to £1000 the cardholder must also ensure the approver/budget holder is copied into the email sent to us</p> | <p>Creditors Supervisor</p> <p>31 December 2023</p>  |
| Medium | 6  | <p><b>Procurement Thresholds</b></p> <p>At present, where card limits exceed normal procurement thresholds there is no requirement to notify the Procurement team, increasing the risk that procurement procedures will not be followed.</p>  | Procurement procedures not being followed | Procurement team will be copied into the email for all permanent and temporary increases over £1000   | <p>Creditors Supervisor</p> <p>31 December 2023</p>  |
| Medium | 7  | <p><b>Procurement Processes</b></p> <p>There is evidence that some purchases are made which do not follow Council procurement guidelines. A search of PECOS found that of 27 transaction recorded, 18 of these were retrospective orders. In addition, 28 transactions could not be found, 9 invoices were valued between £1,000 and £3,000 with no evidence of engagement with the procurement team.</p> | Procurement procedures not being followed | <p>As per action point 10, the PCCMT will update the purchase card supplementary guidance,</p> <p>Creditors will reissue to all cardholders, delegates and authorisers as per action plan 1</p>   | <p>PCCMT Manager</p> <p>31 December 2023</p> <p>Creditors Supervisor</p> <p>31 December 2023</p> |
| Medium | 8  | <p><b>Purchase Card Limits</b></p> <p>A sample check of the banking system comparing credit limits with single transaction card limits identified three cards where the single transaction limit is higher than the card limit. Staff within procurement team be given access to the relevant system.</p>   | Purchase card limits may be exceeded      | A report will be requested from the Bank for all card holders, with their card limits and single card limits. If this is available Creditors staff will review to ensure that single transaction limits do not exceed card limits.  | <p>Creditors Supervisor</p> <p>31 December 2023</p>  |

|        | No | Finding  | Risk   | Agreed Action  | Responsibility / Due Date  |
|--------|----|--|--|--|--|
|        |    |  |  | This will be carried out in conjunction with budget holder review of card holders and limits.  |  |
| Medium | 9  | <p><b>Sharing of Purchase Cards</b></p> <p>While the testing of the imprest account process is not within the scope of this review, we identified situations where staff other than the cardholder withdraw cash using their purchase card. The sharing of a PIN number does not comply with the bank's terms and conditions</p>   | Un-authorized use of purchase card   | A reminder will be added to the email to Budget Holders circulating the Purchase Card Holder list that sharing of a PIN number does not comply with the banks terms and conditions   | Creditors Supervisor<br>31 December 2023                                       |
| Low    | 10 | <p><b>Internet Use of Purchase Cards</b></p> <p>During the review we identified instances where spend has been incurred for Council purposes via EBay and PayPal.</p>  | Unable to demonstrate or achieve value for money   | The PCCMT will update the purchase card supplementary guidance, which will be reissued to all cardholders, delegates and authorisers as per action plan 1 and 10                     | PCCMT Manager<br>31 December 2023  |
| Low    | 11 | <p><b>High Volume/Value use of Purchase Card</b></p> <p>Interpretation of the transactional data highlighted that in the 3 month period January to March 2023, one Budget Holder within Education, was the second highest user of a purchase card in terms of both number of transactions and volume of spend with a total of 367 transactions amounting to the value of £33,569</p> | Unable to demonstrate or achieve value for money   | The PCCMT will monitor the purchase card transaction list and work with staff where multiple orders are placed.<br>A reminder will be issued in the monthly newsletter issued by EPT | PCCMT Manager<br>31 December 2023  |
| Low    | 12 | <p><b>Access to Systems</b></p> <p>Currently staff within procurement team do not have access to appropriate systems, therefore cannot see invoices/receipts for purchases not recorded on PECOS and making it challenging to determine whether best value has been achieved.</p>  | Inability to interpret information to ensure procurement processes are being followed and value for money achieved | PCCMT Manager will identify staff who require access to the purchase card banking system to view invoices.<br>Creditors will provide access to these staff                           | PCCMT Manager<br>30 September 2023<br>Creditors Supervisor<br>31 December 2023 |
| Low    | 13 | <p><b>Scanning of Invoices/Receipts</b></p>  | Unable to provide supporting documentation to evidence spend   | Wording will be added to the email to Budget Holders circulating the Purchase Card Holder list reminding   | Creditors Supervisor<br>31 December 2023                                       |

| No | Finding   | Risk | Agreed Action  | Responsibility / Due Date |
|----|---|------|--|---------------------------|
|    | Discussions with staff have indicated that due to hybrid working, not all staff have ready access to a scanner/appropriate equipment to digitalise the receipts/invoices. |      | them that staff require to have ready access to a scanner/appropriate equipment to digitalise the receipts/invoices. |                           |

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   |
|---------------|--|
| <b>High</b>   | 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.  |
| <b>Medium</b> | 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. |
| <b>Low</b>    | 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.  |
| <b>VFM</b>    | 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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  
March 2023  
FINAL

# Building Standards

Audit Opinion: High

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 0      | 1   | 1   |

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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 Building Standards.
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. The Building (Scotland) Act 2003 and secondary legislation set out the role of Local Authority Verifiers of the Scottish building standards system. In appointing verifiers, Scottish ministers consider qualifications, competence, accountability to the public and impartiality. Verifiers are appointed to administer the building standards system for their own geographic area on the condition that they meet the verification Operating Framework and Performance Framework 2017.
5. The principal aim of building standards is to ensure the health, safety and welfare of people in and around buildings, the conservation of fuel and power and the encouragement of sustainability in buildings. This is achieved through the processing of warrant applications and issuing/acceptance of completion certificates to ensure compliance with the building standards.
6. The building standards system in Scotland is administered by Local Authority verifiers appointed by the Minister for Local Government, Housing and Planning. Verifiers carry out the important function of protecting the public interest by providing an independent check of applications for building warrants to construct or demolish buildings, to provide services, fittings or equipment in buildings or building conversions. They check the work during the design phase before granting a building warrant and during the construction phase before accepting a completion certificate. There are five key stages of the customer's journey, these are:
  - Project scoping and pre-application
  - Application for building warrant
  - Granting of building warrant
  - Building work starts (or conversion takes place)
  - Submission and acceptance of completion certificate

7. Argyll and Bute Council (The Council) Building Standards Team have successfully secured their annual re-accreditation assessment for the Customer Service Excellence standard in May 2022. This is the only Government endorsed standard in the UK comprising of 57 compliance elements. The team have achieved compliance with all 57 elements with Compliance+ status in 23 elements to demonstrate ongoing improvements and increasing levels of customer service. This falls to be reassessed in May 2023.
8. The Council received the Local Authority Building Standards Scotland (LABSS) award for outstanding service and commitment in customer focus on 16 September 2022.
9. The Building Standards Team undertakes verification work on behalf of 2 other local authorities on a commercial basis and overall is self-funding with a net income of £52k achieved in 2021/22.

## Scope

10. The scope of the audit was to review the systems and processes in place to support compliance with the verification scheme as outlined in the Terms of Reference agreed with the Head of Development and Economic Growth on 31 January 2023.

## Risks

11. The risks considered throughout the audit were:
  - ORR04: Resource availability: Building Warrant fee shortfalls
  - ORR06: Resource availability: One third of the existing Building Standards team are due to retire within the next five years
  - Audit Risk 1: Failure to comply with regulations resulting in loss of verifier licence and subsequent income stream

## Audit Opinion

12. 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.
13. 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

14. We have highlighted one low priority and one value for money recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - A record of systems training provided should be maintained.



- Building Standards services should revisit the reporting functionality of the IDOX system and assess if historical issues have been addressed and raise any outstanding anomalies with the system provider. This will provide contingency for MS Access reporting.

15. 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

16. 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

|   | <b>Control Objective</b>   | <b>Link to Risk</b> | <b>Assessment</b> | <b>Summary Conclusion</b>   |
|---|--|---------------------|-------------------|---|
| 1 | The Council provides an efficient and effective service across all aspects of building standards verification work   | All Risks           | High              | There is a clear commitment to providing a fully digital verification service with systems and processes in place to support processing of information, supervision and provision of performance information for management and also for statutory publication. Information and guidance is available to the public via the Council's website or via links provided and appropriate benchmarking activity takes place.  |
| 2 | Funds and resources are managed efficiently and effectively to maintain productivity and reliable ICT infrastructure | All Risks           | Substantial       | Staff are appropriately trained and qualified and formal partnership arrangements are in place to provide specialist support. Capacity issues are regularly discussed and resilience measures are in place across the Council area. Systems are managed by the Council's ICT services and administered by Building Standards. Users are appropriately managed with access rights in place to reflect respective roles, in-house systems training is provided however there is no record maintained. Performance information is extracted using additional software to interrogate data and may be subject to additional licencing costs in the future. Regular meetings take place with the appointed finance contact to identify and address any concerns that arise, the budgeted income for the year is on track to exceed verification service costs. |

|   |  |              |      |  |
|---|--|--------------|------|--|
| 3 | Verifier actions are in alignment with the performance framework and undertaken in a consistent manner     | Audit Risk 1 | High | Applications are assessed and allocated to officers on a competence basis with appropriate supervision and review in place. Performance information is accurately reflected in reports submitted to Scottish Government and published on the Council's website.                        |
| 4 | The Building standards service demonstrates a commitment to continuous improvement and partnership working | Audit Risk 1 | High | Areas for improvement are identified by appropriate means, they are added to a log published on the Council's website along with progress in implementation. Collaborative working takes place with other verification authorities to share best practice and discuss matters arising. |

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

[The Council provides an efficient and effective service across all aspects of building standards verification work](#)

18. Applications for building warrants are made via an online portal provided by Scottish Government which sends the information to the Council's IDOX case management system via a series of technical scripts to ensure that both systems contain the same information. A very small amount of applications are received in paper format and these are input to the portal by officers to ensure all applications are consistently processed, this also demonstrates a clear commitment to promoting the digitisation of verification services. Alongside the IDOX system sits the CIVICA, document management system that stores all associated documents issued and received as well as providing the various workflows that officers are required to follow to ensure work is carried out in compliance with requirements.
19. Fees associated with the application are paid to the Council directly via a link provided within the Scottish Government Portal or sent directly to the Council's office at Manse Brae.
20. A walkthrough of system functionality was provided by the Systems Administrator which demonstrated a robust, logical and transparent process with each staged process generated by responses from the previous on CIVICA. Process maps and procedures are available to all using CIVICA with additional copies available on a SharePoint site, these are regularly reviewed and team members made aware of any updates. The [Procedural Handbook](#) provided by Scottish Government is published on the internet and available to the public. The Council's fees and charges schedule is consistent with fees published in the Procedural Handbook and standard document templates generated by CIVICA are currently being reviewed.
21. Both IDOX and CIVICA are interrogated monthly to provide statistical information to team leaders and quarterly to provide performance information for reporting purposes.
22. A set of Key Performance Outcomes (KPOs) have been published by the Scottish Government which are required to be adopted by all Building Standards units providing a verification service.

The KPOs have been implemented and results are published on the Council's website in the [Annual Verification Performance Report](#) that is updated quarterly. Where appropriate, the targets and results for KPOs are also updated quarterly on Pyramid, the Council's performance management system.

23. The Annual Verification Performance Report includes the details of the verification services provided by the Council and contextual details of the related performance measures and results achieved.
24. Performance targets set are mostly aligned with requirements stipulated in the Scottish Government KPOs, one exceeds the requirement but will revert to match in the new financial year to ease pressure on officers and allow additional focus on commercial work.
25. The Council participates in benchmarking activity with the Clyde Valley Consortia and nationally across all 32 Scottish Councils which contributes to a [national report](#) published on the Scottish Government Website. Wider information sharing also takes place with the Local Authority Building Standards Scotland (LABSS) to share good practice and address any common issues.
26. The Council is required to make information and guidance available to the public including, Building Standards Register, copy documents, Customer Charter, performance reports, appeals and complaints procedure and general information. All were found to be available on the Council's website or via additional links provided with the exception of copy documents that are only available to current or prospective owner, occupier or tenant by legislation and these can be requested by completing an online application form.

[Funds and resources are managed efficiently and effectively to maintain productivity and reliable ICT infrastructure](#)

27. Professional staff are required to be educated to degree level and hold professional membership of a relevant organisation such as the Royal Institute of Chartered Surveyors (RICS). Assistants are in training and shadow professional members of staff who review and verify their work. Officers are responsible for meeting their own continuing professional development (CPD) as required to maintain their respective professional designations although some training is available in-house e.g. via team meetings or the Council's eLearning platform LEON. Any issues identified in the recording of information is also discussed at team meetings to reinforce training previously provided. The council participates in a national competency framework that is in place across all Local Authorities in Scotland with good results.
28. A staff register of interests is not currently maintained, however, officers are aware of the need to advise management of any conflict of interest and request reallocation to another officer or area team. Officers are permitted to undertake private work in their own time, with prior consent from the Regulatory Services and Building Standards Manager, as long as it is out-with the Council area and does not impact on Council work.
29. Formal partnership arrangements are in place with Glasgow Caledonian University and ATK Partnership to address specialist subject matter where there is no in-house expertise, both of these arrangements are currently operating under extensions.
30. A Critical Activity Recovery Plan (CARP) is in place which outlines arrangements that can be implemented within each local area should the need arise. There is ongoing resilience within the team across the Council as any officer can process applications for any area, however, wherever possible, any visits required are undertaken by local officers to save on travel time and costs.

31. Capacity issues are regularly discussed at weekly team meetings or with Regulatory Services and Building Standards Manager as required. Discussions may result in a decision to de-prioritise commercial work to ensure the Council's own statutory requirements are met.
32. The IDOX and CIVICA systems as well as Server and SharePoint data are managed by the Council's ICT services and are regularly backed-up as part of a corporate process. Patches to maintain security and optimum functionality are applied out with working hours where possible unless the update is urgent. System upgrades are tested by the systems administrator on a separate test system prior to implementing on the live system upon acceptance. Copies of all templates used are retained on a server to allow manual communications to take place should IDOX and CIVICA be unavailable for extended periods of time, these would be updated on both systems retrospectively.
33. Systems and servers are accessed by all members of the Building Standards team upon recruitment and completion of the corporate Acceptable Use Policy. Access rights are commensurate with levels of responsibility and user access is promptly removed when no longer required upon transfer or resignation. Although the Council undertakes some commercial work, this work cannot be accessed by other Local Authorities. A list of current system users was reviewed and found to be appropriate.
34. The systems administrator provides user training to all officers and administrative staff upon recruitment and following upgrades that result in system changes or additional functionality. Customer Service Centre staff who are expected to attend to planning and building standards matters are also trained by the systems administrator and an instruction note provided. A record of systems training is not currently maintained.

## Action Plan 1

35. The IDOX system is required to contain a range of fields from which KPO information can be reported, screen sharing technology was used to test the system and it was found that all required fields were available and were being used.
36. Quarterly performance reports are provided to Scottish Government and published on the Council's website in the month following the end of the reporting quarter. Data to inform these reports is extracted from the IDOX system using MS Access due to historical issues in obtaining good quality reports from IDOX. Ad-hoc management information can also be extracted and any revisions to reporting requirements imposed by Scottish government can be implemented promptly by the Systems Administrator who can update or create bespoke reports on MS Access without the need to liaise with the IDOX system supplier.
37. The Council is moving to use MS Office 365 across all services, however, MS Access is not included within this package and therefore not covered by that licence agreement. MS Access 2013 will cease to be supported by Microsoft from 31 March 2023 and will therefore be removed from the Council's software estate, MS Access versions from 2016 to 2021 will be available under existing licence arrangements until 2026, thereafter, additional licence fees would be applicable. Following discussions with the Systems Administrator, an exercise has commenced to compare content of IDOX reports with those produced via MS Access to assess if historical issues have been addressed by the system supplier.

## Action Plan 2

38. Regular meetings take place with the Finance Officer assigned to the building standards service where trends are reviewed over a 5 year period and projections are calculated for the current year. The analysis provided for January 2023 indicates that the income is expected exceed the budget value although the target may require to be reduced.

Verifier actions are in alignment with the performance framework and undertaken in a consistent manner

39. All applications received are assessed by a Team Leader who will look at the type and value of works to determine who will undertake the work based on qualification and competence of surveyor or assistant. The risk level of an application is consistent with the allocation process, however, the risk level is not entered to the system for all applications, only those that are included within the quality assurance process.

40. The quality assurance process requires that a minimum of 5% of all applications are reviewed by a professional officer. Two possible checks take place, the first for issue of a points letter and the second for issue of a building warrant, both checks are for separate processes and are independent of each other. The sample selected for review is predominantly random augmented with some targeted sampling. The IDOX system contains details of checks that have taken place and associated documentation is generated in CIVICA. Data extracted from IDOX indicates that between 8.3% and 14.5% of applications have been checked over the last 4 years due to nature of applications received and staff competencies, therefore exceeding the target.

41. Quarter 3 performance information was reviewed to assess if the data included within the quarterly report was accurate:

- KPO1 – requires the service to minimise the time taken to issue a first report, building warrant or amendment, data extracts from the IDOX system were reviewed to verify the figures reported in support of time taken to issue the stated documentation and these were found to be accurate.
- KPO5 – requires the service to maintain financial governance, for the purpose of this KPO only verification work is permitted for inclusion, other statutory work is excluded. A historical calculation of 87% time spent on verification work has been applied and considered to remain appropriate although there may be immaterial fluctuations. Reports were run from the Council’s financial management system (FMS) to verify cost figures reported. The income figures were verified using data extracted from IDOX to exclude income from commercial work undertaken as this is not recorded separately on the FMS. Both figures reported were found to be accurate.
- KPO6 – requires the service to commit to eBuilding Standards, the Council’s website provides a great deal of information for the public along with links to the Scottish Government’s Portal to submit their application electronically, any applications that are received manually are input to the system by officers thereby ensuring that all processes are managed electronically.
- KPO7 – requires the service to commit to objectives outlined in the annual verification performance report, this report is published on the Council’s website with quarterly updates, and each report shows summary of last 4 quarters and therefore equivalent to an annual report. There is no separate annual report.

42. The Building Standards service has not set a target for KPO2 although this is currently being considered. Additionally, the service was successfully assessed against Customer Service Excellence (CSE) standards with the most recent report dated 9 June 2022, therefore KPOs 2, 3 and 4 were not included in the Q3 review of supporting data.

[The Building standards service demonstrates a commitment to continuous improvement and partnership working](#)

43. Areas for improvement are identified by a number of means such as the annual CSE review, review of complaints received, discussions at team meetings and information sharing via networking arrangements.
44. Areas for improvement that have been identified are added to a [service improvement log](#) which is published on the Council's website. This has been maintained since 2007 and last updated February 2023, it indicates the benefits achieved as well as a description of each improvement identified, the reason, who suggested it and when the improvement was introduced.
45. There is strong evidence of collaborative working taking place, this includes, Scottish Government to maintain compliance with national requirements, the Clyde Valley Building Standards Consortia and LABSS to consider common issues, aid consistency and share best practice, Area Property Action Groups which consider the Council's position in respect of properties, land or buildings, external suppliers to undertake specialist assessments and commercial arrangements with two other Local Authorities.

## Appendix 1 – Action Plan

|     | No | Finding  | Risk   | Agreed Action  | Responsibility / Due Date   |
|-----|----|--|--|--|---|
| Low | 1  | <p><b>Systems Training Record</b><br/>Finding: A record of systems training that has been provided is not currently maintained.</p> <p>Recommendation: A record of systems training provided should be maintained.</p>   | Management is unable to obtain information in support of training provided and staff competence in system usage. | Establish the training record for systems training and arrangements for maintaining the records.   | Principal Team Lead – Building Standards<br><br>30 April 2023   |
| VFM | 2  | <p><b>KPO Reporting</b><br/>Finding: MS Access is used to extract data from the IDOX system for KPO reporting, however, a move to corporate use of MS Office 365 means that MS Access is not included within that licence agreement. Support for MS Access 2013 will expire 31 March 2023 and newer existing versions by 31 March 2026 thereafter additional arrangements and licences will be required.</p> <p>Recommendation: Building Standards services should revisit the reporting functionality of the IDOX system to assess if historical issues have been addressed and raise any outstanding anomalies with the system provider. This will provide contingency for MS Access reporting. This will provide contingency for MS Access reporting.</p> | Use of MS Access may require additional licencing fees from 2026.  | <ol style="list-style-type: none"> <li>1. Run all 7 IDOX standards reports and compare with the services MS Access reports</li> <li>2. Identify and investigate differences</li> <li>3. Report findings to IDOX and request feedback</li> <li>4. Evaluate feedback and consider issues to service</li> <li>5. Decide whether to continue with existing MS Access Reports or to migrate to IDOX suite of standard reports.</li> </ol> | <p>Actions 1 – 3<br/>Building Standards Data Systems Technician<br/><br/>30 June 2023</p> <p>Actions 4 – 5<br/>Regulatory Services and Building Standards Manager<br/><br/>31 December 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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  
June 2023  
FINAL

# Cyber Security

Audit Opinion: Substantial

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 5      | 1   | 0   |

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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 cyber security.
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. The Council has an ICT and Digital Strategy in place covering the years 2021-2024. This document outlines the aim to position Argyll and Bute Council (the Council) as a "digital by default" authority providing services to support people and customers to work better together and create efficiencies, savings and improved services for all. The aims of the strategy are:
  - Our networks and systems are secure, accessible, current, and enable delivery of council and service objectives
  - ICT provides value, and enables and empowers both customers and staff to make tasks easier
  - Our people have the knowledge and capabilities to use ICT effectively
5. Our working environment has changed significantly over the last three years placing more reliance on digital technologies to enable remote working which in turn raises additional risks to data and networks in terms of cyber security.
6. Cyber security is essential when using digital technology as confidentiality, integrity and availability of Council and customer data requires to be maintained as well as measures to prevent it falling into the wrong hands as this would result in financial penalties imposed by the Information Commissioner's Office (ICO) as well as considerable reputational damage.
7. Human error/behaviour is a major factor in cyber security, cyber attackers consider various vulnerabilities when trying to gain access to an organisation's systems and data and people are often found to be the weakest link.
8. Cyber attacks are increasing rapidly, they take different forms, and if successful, the effects can be severely disruptive and create a huge financial burden. There are many recent examples of public sector organisations who have become victims of such attacks.
9. In order to conduct business with other public bodies, the council is required to access the Public Sector Network (PSN) to enable secure exchange of sensitive information. A code of connection

is required to be complied with and an independent annual IT health check undertaken to verify compliance. The Council is also encouraged to adhere to other non-statutory but recommended frameworks including Scottish Public Sector Cyber Resilience Framework.

10. There is a legal requirement to meet the Payment Card Industry – Data Security Standards (PCI-DSS). The Council retains very little payment card information and therefore is required to complete the least onerous self-assessment questionnaire.
11. Any significant cyber incident is required to be reported to Scottish Government for a centrally co-ordinated response to take place in line with published Scottish Public Sector Cyber Incident Central Notification and co-ordination Policy.
12. The Council has an ICT Compliance & Security Officer (ICT-CSO) in place with overarching responsibility for cyber security (among other duties), however, all members of staff have a responsibility for cyber security within their day-to-day working practices.

## Scope

13. The scope of the audit was to review systems and processes in place to determine if adequate resources are in place to support security of key systems as outlined in the Terms of Reference agreed with the Head of Customer Support Services on 21 April 2023.

## Risks

14. The risks considered throughout the audit were:
  - SRR11: Service Delivery – Cyber Security
  - EDI ORR 46: Cyber Security Breach and associated cyber attack cause catastrophic loss of ICT systems, loss of sensitive data, loss of services, Financial risk; Failure to maintain ICT assets to provide secure services in a high risk cyber environment  
Systems not kept updated or maintained properly resulting in weakness in cyber security
  - Audit risk 1: Available resources may be insufficient to maintain resilience and manage a cyber security incident

## Audit Opinion

15. 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.
16. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that 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.

## Recommendations

17. We have highlighted five medium priority recommendations and one low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:

- Regular reports summarising cyber security risks, activity and incidents managed should be reintroduced to DMT to continue visibility and submitted at agreed intervals, these reports should be escalated to SMT when relevant.
- The Cyber Security Policy should be completed, approved and published on the Council's intranet site for Elected Member and employee reference.
- The level of resource allocated to manage the Council's cyber security requirements should be reviewed.
- Members Services and managers should be provided with monitoring reports and encourage completion of the brief Mimecast training provided.
- The Cyber Incident Response Plan, Disaster Recovery Plans and Playbooks should be subject to regular review, annually as a minimum.
- A specific budget provision for cyber security should be agreed.

18. 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

19. 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 | Arrangements are in place to protect key systems and data from cyber attacks | All risks    | Substantial | The Council's Acceptable Use Policy was revised and approved by Policy and Resources Committee. Senior Management Team (SMT) review and update cyber risks and their treatment every six months and Information Technology Management Team (ITMT) review monthly reports on cyber security key performance information (KPI) and highlights of new risks identified in the cyber environment, however, these are not summarised to raise awareness at Department Management Team (DMT) or SMT. The ICT and Digital Strategy 2021-24 has been published, however, it refers to a cyber security policy that has not yet been completed. The Council has achieved compliance with the Public Sector Network (PSN) Code of Connection for 2023/24 and reaccreditation for Cyber Essentials Plus. Information is actively shared with other local authorities via the Cyber Security Information Sharing Platform (CISP) and meetings and conferences are attended. The ICT |

|   |  |           |             |  |
|---|--|-----------|-------------|--|
|   |  |           |             | Compliance and Security Officer (ICT-CSO) is consulted where any major ICT projects or upgrades are required to take place.  |
| 2 | Cyber security is appropriately resourced and employees are trained to manage vulnerabilities within their control | All risks | Reasonable  | The ICT-CSO holds the CompTIA Security+ certification and is responsible for cyber security and related incident management, however, the officer has additional responsibilities outwith cyber security. An incident response team has been identified, however, there is no depute appointed in the event the ICT-CSO is unavailable. The majority of other local authorities contacted have additional resource employed to manage the increasing cyber security workload advised by the National Cyber Security Centre (NCSC), additionally there is no specific budget allocated to cyber security. Appropriate partnership working is in place both within the Council and externally. Users of ICT facilities are advised of their responsibilities within the AUP and periodic reminders, additional training is provided to all users monthly but this has not been completed in all instances. |
| 3 | Arrangements are in place to manage cyber security incidents   | All risks | Substantial | A comprehensive Cyber Incident Response Plan, Playbooks and Disaster Recovery Plans are in place, however, they require to be reviewed. A cyber incident response exercise took place in March 2022 with positive feedback included within the de-brief report.  |

20. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

#### Arrangements are in place to protect key systems and data from cyber attacks

21. The Council's ICT Acceptable Use Policy applies to all users of Council devices and outlines the requirements to comply with its content to preserve the confidentiality, integrity, availability of information held and comply with relevant legislation. This policy was updated and approved at the Policy and Resources Committee in October 2021 and its contribution to mitigating cyber security risks acknowledged.



22. Strategic and Operational Risk Registers contain high-risk entries for cyber security, they are linked to the corporate outcomes and service plans and contain details of treatment and mitigating actions to address these. These risks are discussed at the Senior Management Team (SMT) every 6 months and updated as required following discussions with the appropriate officers.
23. Senior management have been provided with four reports in respect of cyber security over the last two years:
- two to the Department Management Team (DMT), one advising of completion of a previous audit action and one informing of successful re-accreditation of Cyber Essentials Plus.
  - one to the SMT providing an ICT Security Service Highlight Report including an update on important service activity, a summary of high-profile threats in the general ICT environment and a statistical analysis of the Council's performance in thwarting targeted attacks via technology solutions over the period of one month (20 December 2021 – 19 January 2022)
  - one to the Policy Lead containing summarised updates on cyber security activities that have taken place.
24. The Information Technology Management Team (ITMT) are provided with monthly reports highlighting new high-profile risks in relation to cyber security in addition to a summary of activities taking place and statistical analysis of recent incident management, this is not currently shared with DMT or SMT at regular intervals or via an annual report.
- Action Plan 1
25. The Council has a comprehensive ICT and Digital Strategy 2021-24 in place, this includes a section on "secure and compliant infrastructure" which makes reference to a Cyber Security Policy but this has not yet been completed.
- Action Plan 2
26. The Council has obtained certification in compliance with the Public Sector Network (PSN) Code of Connection for 2023/24. This allows communications to be shared with other local authorities in a safe and secure manner.
27. Reaccreditation has also been obtained for Cyber Essentials Plus demonstrating compliance with the Scottish Public Sector Cyber Resilience Framework. This is not a statutory requirement, however, it is recommended and the Council is one of only two who have achieved this challenging accreditation.
28. The Council actively participates in the Scottish Local Authority – Information Security Group (SLA-ISG), officers attend meetings and make use of its secure message board on the Cyber Security Information Sharing Partnership (CISP) to share good practice and stay up-to-date with current developments in cyber security. Officers also attend conferences providing information on relevant subject matter to remain up-to-date in the wider cyber security environment. E.g. FurureScot Cyber Security 2023 Conference was attended in February providing information from leaders in cyber security both in the UK and abroad.

29. Key performance information (KPI) is gathered to assess alignment with operational targets, this, along with additional performance information, current risk and developments etc. is presented for discussion monthly at ITMT.
30. The ICT-CSO is consulted where any major ICT projects and upgrades are required to take place. A standard questionnaire is issued to suppliers to gather information on system specifications and checked for embedded security features. A Data Protection Impact Assessments (DPIA) is required to be completed for any system containing personal data to ensure compliance with General Data Protection Regulations (GDPR) and a review of Disaster Recover Plans (DRPs) is required for any major change taking place.

Cyber security is appropriately resourced and employees are trained to manage vulnerabilities within their control

31. Responsibility for Cyber Security is assigned to the ICT-CSO, however, this is not their only work remit. The ICT-CSO has successfully achieved the Computing Technology Industry Association (CompTIA) Security+ certification which is a globally recognised entry level qualification and funding from ScotlandIS Cyber Upskilling Fund has been secured to train a further six members of staff in this qualification to provide resilience across the service.
32. The responsibility for responding to a cyber incident falls to the ICT-CSO who is the incident manager and primary point of contact. An Incident Response Team has been identified and recorded on the Cyber Incident Response Plan with each officer responsible for their own areas of expertise, there is no deputy appointed to manage a cyber incident should the ICT-CSO be unavailable. Additionally, the requirement for the ICT-CSO to be available out-of-hours is provided on a goodwill basis.

Action Plan 3

33. We contacted our counterparts in other Scottish Local Authorities to establish the level of cyber security personnel employed, responses covering 16 Local Authorities were received and the following information gathered:
- One has an officer with similar remits to the Council
  - Two have an officer with a sole remit of Cyber Security
  - Nine have small cyber security teams of between two and five employees
  - Two have cyber security teams but have not provided numbers
  - Two have outsourced arrangements for all ICT services including cyber security
34. The National Cyber Security Centre (NCSC) offers advice and guidance to help Public Sector organisations protect networks, data and services they depend upon. Cyber attacks have increased significantly in recent years across all sectors resulting in additional work to follow advice and guidance issued to manage new threats as they arise. The Council's cyber security resource is less than comparable with those at the majority of other local authorities from which we have received responses and therefore there is concern that there is insufficient resource in place to manage all aspects of cyber security or to manage a cyber incident should the ICT-CSO be unavailable.

Action Plan 3

35. With only one dedicated Cyber Security post in the Council, there is no opportunity for further career advancement within cyber security resulting in the imminent departure of the ICT-CSO, however, management roles in ICT all have a requirement for cyber security knowledge and understanding. A recruitment exercise is currently in progress.

Action Plan 3

36. The ICT-CSO also works closely with the Council's Civil Contingencies and Data Protections Teams and with external organisations to provide additional services when required. A formal service support agreement is in place with Sapphire to provide 12 days of consultancy to deliver additional cyber security services and arrangements are currently being made to provide a Security Operations Centre (SOC) via a service level agreement (SLA).

37. The cyber security budget is part of the overall ICT budget. Investments in MS365 and infrastructure, web content filters, firewalls, Minecast, intrusion detection systems, patching and VPN are all part of cyber security but are managed by different teams across ICT and therefore paid for via various ICT budget codes. This highlights the integrated nature of cyber security management across the ICT and digital Service. Specific funding has, however, been identified for a SOC for a period of three years. The 16 local authority responses received indicated a similar approach to budget setting in 12 and four have dedicated budgets for cyber security.

Action Plan 6

38. Council employees and Elected Members are made aware of their responsibilities in respect of cyber security via the requirement to adhere to the content of the Acceptable Use Policy as well as being provided with periodic email reminders, features in the staff magazine "Cascade", Intranet strapline and links to further information. Notifications are often timed to coincide with events reported via media channels to raise awareness.

39. Training is provided to Council employees and Elected Members via the eLearning platform, LEON. There are two modules available providing cyber security content, 'Stay Safe Online' is provided by the NCSC and provides a short but comprehensive guide for users and 'Card Payment Guidance' is a useful tool for all users responsible for accepting income to the Council via card payment.

40. Mimecast training videos are provided monthly and require the viewer to answer a question upon completion to reinforce learning. These videos are very brief, lasting approximately three minutes each and all Council employees and Elected Members are encouraged to view these and answer the question provided at the end to develop skills and confidence to deal with cyber security risks and help keep data safe from cyber criminals.

41. The ITC-CSO monitors completion rates and passes the statistics to the Head of Customer Support Services to inform the other Heads of Service. No action has been taken by ICT to pursue those who have failed to complete this training. The lists provided contain a number of Elected Members and management, the details are as follows:

| Videos not viewed | No. of employees |
|-------------------|------------------|
| 12                | 228              |
| 11                | 58               |
| 10                | 44               |
| 9                 | 49               |
| 8                 | 31               |
| 7                 | 32               |
| 6                 | 28               |
| 5                 | 25               |
| 4                 | 36               |
| 3                 | 36               |
| 2                 | 41               |
| <b>Total</b>      | <b>608</b>       |

42. A random sample of 30 users who have failed to view 10 – 12 videos was reviewed to assess if they were regular system users and 17 were found to have accessed the system within the last 17 days. The remaining users had been offline for more than 145 days or their presence was unknown.

Action Plan 4

[Arrangements are in place to manage cyber security incidents](#)

43. A comprehensive Cyber Incident Response Plan (CIRP) has been created for use during a large-scale cyber attack and made available on a designated SharePoint site for relevant staff to access. This plan was last reviewed in March 2022 and should be reviewed annually or when there is a major change in any of its components, it is currently scheduled for review in June 2023.

Action Plan 5

44. The CIRP contains details of the response team along with their out-of-hours contact details. The team consists of a mix of appropriate employees from across ICT, Financial and Legal & Regulatory Services including Civil Contingencies and Governance.

45. Playbooks are designed for small-scale incidents and were created in January 2020 based on templates provided by Scottish Government as a high-level best practice approach to the types of cyber security incidents they refer to. There is no evidence that these have been reviewed.

Action Plan 5

46. A cyber incident response exercise took place remotely via Teams in March 2022 with participants included from across all Council services. A de-brief report was prepared following the exercise noting that the exercise was successful and positive feedback was received from attendees.

47. There is a programme of testing in place for Disaster Recovery plans to familiarise officers with the recovery procedures required to reinstate systems. All tier 0 systems are tested annually and two line of business systems are tested per year, the next test is scheduled to take place August/September 2023. Disaster Recovery plans are also scheduled to be reviewed in June 2023.

Action Plan 5

48. In the event of a notifiable cyber incident, the service has a template prepared for use to provide incident reports and contributions to briefings with central bodies, NCSC and Police.

## Appendix 1 – Action Plan

|        | No | Finding   | Risk   | Agreed Action   | Responsibility / Due Date                              |
|--------|----|---|--|---|--|
| Medium | 1  | <p><b>Reports to Senior Management</b></p> <p>Finding: Reports are not regularly submitted to senior management to raise/maintain awareness of high profile risks to the Council’s data and ICT infrastructure.</p> <p>Recommendation: Regular reports summarising cyber security risks, activity and incidents managed should be reintroduced to DMT at agreed intervals and escalated to SMT when relevant.</p>   | Senior management may be unaware of potential high-profile risks to the Council.   | Regular reports summarising cyber security risks, activity and incidents managed will be submitted to DMT at agreed intervals and escalated to SMT when relevant. | ICT and Digital Manager<br>31 July 2023                |
| Medium | 2  | <p><b>Cyber Security Policy</b></p> <p>Finding: The Council has a comprehensive ICT and Digital Strategy in place including a section on “Secure and compliant infrastructure”. This section makes reference to a Cyber Security Policy but this has not yet been completed.</p> <p>Recommendation: The Cyber Security Policy should be completed, approved and published on the Council’s intranet site for Elected Member and employee reference.</p>   | Standards of behaviour expected of system users are not published leaving information assets at risk.  | Our security policy will be updated and published. From a security perspective it is considered best practice to publish for restricted internal use only.        | ICT Compliance and Security Officer<br>31 October 2023 |
| Medium | 3  | <p><b>Cyber Security &amp; Cyber Incident Management Resourcing</b></p> <p>Finding: An Incident Response Team has been identified and recorded on the Cyber Incident Response Plan with each officer responsible for their own areas of expertise, there is no depute appointed to manage an incident response should the ICT-CSO be unavailable.</p> <p>Finding: The Council has one full-time officer (ICT-CSO) with responsibility for cyber security as part of their remit, other local authorities have small teams in place to</p> | The Council may have limited expertise to call upon to manage all aspects of cyber security or to manage a cyber incident should the ICT-CSO be unavailable. | The level of resource allocated to manage the Council’s cyber security requirements will be reviewed and a report submitted to DMT.                               | ICT and Digital Manager<br>31 October 2023             |

|        | No | Finding   | Risk  | Agreed Action  | Responsibility / Due Date                           |
|--------|----|---|---|--|---|
|        |    | <p>manage cyber security alone indicating that the Council may be under-resourced in this area.</p> <p>Finding: There is currently no opportunity for career advancement for a cyber security professional within the Council, however, management roles in ICT all have a requirement for cyber security knowledge and understanding.</p> <p>Recommendation: The level of resource allocated to manage the Council's cyber security requirements should be reviewed.</p> |   |  |   |
| Medium | 4  | <p><b>Mimecast Video Training</b></p> <p>Finding: Mimecast video training is not being completed by all Elected Members and employees.</p> <p>Recommendation: Members Services and managers should be provided with monitoring reports and encourage completion of the Mimecast training provided.</p>  | Elected Members and Council employees may not possess the required skills to deal with cyber security risks within their control. | Members Services and Heads of Service will be provided with monitoring reports on a regular basis to encourage completion of the Mimecast training provided.                                       | ICT Compliance and Security Officer<br>30 June 2023 |
| Medium | 5  | <p><b>Review of Cyber Incident Response Plan and other incident management documentation</b></p> <p>Finding: the Cyber incident response plan, Playbooks and Disaster Recovery Plans have not been reviewed in the last 12 months.</p> <p>Recommendation: The Cyber Incident Response Plan and other incident management documentation should be subject to regular review, annually as a minimum.</p>  | Information available in the event of a major cyber incident may be out-of-date.  | The Cyber Incident Response Plan and other incident management documentation will be reviewed and updated. This process will be completed on a regular basis and annual reports submitted to ITMT. | ICT Compliance and Security Officer<br>31 July 2023 |

|     | No | Finding  | Risk  | Agreed Action  | Responsibility / Due Date                             |
|-----|----|--|---|--|---|
| Low | 6  | <p><b>Budget provision for Cyber Security</b></p> <p>Finding: There is no dedicated budget provision for cyber security.</p> <p>Recommendation: A specific budget provision for cyber security should be agreed.</p> | <p>Cyber Security costs are mainly included within the costs of other infrastructure and application budgets because of the way we purchase systems and it is not possible to separate out such costs. Costs associated with implementing cyber security arrangements across the Council may not be quantifiable.</p> | <p>With the help of Finance, create a new cost centre for the specific cyber security costs such as the budget for the ICT-CSO, SOC, Mimecast and Sapphire support contract.</p> | <p>ICT and Digital Manager</p> <p>31 October 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   |
|---------------|--|
| <b>High</b>   | 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.  |
| <b>Medium</b> | 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. |
| <b>Low</b>    | 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.  |
| <b>VFM</b>    | 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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  
April 2023  
Final

# Management of Debt/ Debt Recovery

Audit Opinion: Reasonable

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 4      | 3   | 1   |

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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 Management of Debt/Debt Recovery.
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) has a legal duty to ensure cost effective billing, collection and recovery of all sums due, through raising charges for a wide range of services provided, as well as collecting local taxes. A corporate debt policy is in place providing general principles to be applied consistently within all Council Services in relation to debt recovery.
5. The Council's ability to continue in the delivery of services within our communities depends heavily on its success in collecting revenues, however, this needs to be balanced in the approach taken and the ability to pay when undertaking debt recovery. The approach to recovery must be sensitive to individual circumstances and take into account all debts owed to the council, namely; Council Tax, Housing Benefit overpayments, Non-Domestic Rates and Sundry Debtor Accounts.
6. The key objectives of the Corporate Debt Policy are as follows:
  - to seek to address debt issues as early as possible with a strong emphasis on arrears prevention in order to minimise overall indebtedness and improve collection rates across all debt categories;
  - to ensure that customers have a clear understanding of their responsibility to pay and the associated consequences of deliberate non-payment especially when they are able to pay;
  - to operate in a fair and equal way when recovering debt;
  - to work in partnership with customers and their representatives to agree realistic payments based on their circumstances;
  - to ensure that all council staff and council appointed debt collection agents and sheriff officers work together efficiently and effectively and provide a single co-ordinated approach in dealing with council debtors;
  - to support debtors in becoming reliable payers in the future through referral to appropriate advice agencies;

- to ensure that all debtor accounts are issued as accurately as possible and are updated for any relevant changes in circumstances in accordance with the timescales within the Council's Customer Charter;
- debtors are advised of all relevant benefit entitlements and assistance is provided in accessing these benefits.

7. Last year, Argyll and Bute Council has written off the following value of debts:

| Source                       | 2019-20<br>£000 | 2020-21<br>£000 | 2021-22<br>£000 |
|------------------------------|-----------------|-----------------|-----------------|
| Council Tax                  | 317.5           | 137             | 800             |
| Non-Domestic Rates           | 213.5           | 85              | 338             |
| Sundry Debtors               | 150             | 75              | 101             |
| Housing Benefit Overpayments | 0               | 0               | 134             |
| <b>TOTALS</b>                | <b>681</b>      | <b>297</b>      | <b>1,373</b>    |

### Audit Scope

8. The scope of the audit was to assess the controls in place for the management of debt and assess compliance with procedures as outlined in the Terms of Reference agreed with the Revenue and Benefits Manager 29 June 2022.

### Risks

9. The risks considered throughout the audit were:
- **ORR08:** Failure to achieve budgeted income from local taxes and / or other income
  - **Audit Risk 1:** Council systems and processes are not effective in maximising debt recovery

### Audit Opinion

10. 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.
11. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that 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.
12. This review covered the management and recovery of debt over four areas – Council Tax, Non Domestic Rates, Housing Benefit Over Payments and Sundry Debtors, which are invoices raised by Services. We found no significant issues in relation to processes and procedures for Council Tax, Non Domestic Rates and Housing Benefit Over Payments, most of which are covered by legislation and are working well. The contents of this report largely covers findings regarding the management and recovery of Sundry Debtors.

## Recommendations

13. We have highlighted five medium priority recommendations, three 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:
- The Corporate Debt Policy requires to be updated to reflect the Councils organisational structure and current working practices.
  - The Debtors Procedure Manual is not up to date and does not reflect current working practices. A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out, prior to updating the manual.
  - There are only two templates for the issuing of invoices and reminders, Argyll General and Argyll CS, but there are seven different recovery routes. In consultation with Legal Services a review should be undertaken to ensure the stated terms and conditions match the recovery routes.
  - Performance monitoring and reporting measures set out in the Corporate Debt Policy are not currently in place. These should be re-introduced and consideration given to which committees and meetings should receive reports regarding the management and recovery of Sundry Debtors.
  - Non Domestic Rates information on the Council's website and leaflets should be updated to provide details of the consequences for non-payment, the timescales and steps that the Council will take to recover amounts due, and any charges for these.
  - The current review of the Housing Benefit procedures should be completed.
  - Concerns have been raised regarding a lack of resilience within staff involved in the management and recovery of debt. This is a known issue which will be addressed during the Business Process Review and restructuring of the Revenues and Benefits Service.
  - Consideration should be given to whether it is possible to issue text message reminders for Non Domestic Rates missed payments as is available within other systems.
14. 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

15. 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 | A debt recovery procedure been established which specifies the types of action to be taken and timescales for such | ORR08<br>Audit Risk 1 | Reasonable | <ul style="list-style-type: none"> <li>• The Corporate Debt Policy and the Debtors Procedure Manuals have not been updated since 2017 and do not reflect the current Council organisational structure nor current working practices.</li> <li>• Procedures for Council Tax and Non Domestic Rates are in place and up to date.</li> </ul> |

|   |   |                       |            |   |
|---|---|-----------------------|------------|---|
|   |   |                       |            | <ul style="list-style-type: none"> <li>• The Housing Benefits Procedures are in the process of being updated to reflect current working practices.</li> <li>• Information published on the website would benefit from being updated.</li> <li>• A Business Process Review (BPR) is currently being undertaken, this includes a review of debt management and recovery policies and procedures.</li> </ul>   |
| 2 | Debt management, arrears follow-up procedures and bad debt write offs are properly controlled | ORR08<br>Audit Risk 1 | Reasonable | <ul style="list-style-type: none"> <li>• Debt management, arrears follow-up procedures and bad debt write offs are properly controlled for Council Tax, Non Domestic Rates and Housing Benefit over Payments.</li> <li>• Our overall conclusion is that debt management and arrears follow-up procedures relating Sundry Debtor invoices are not carried out in accordance with procedures.</li> <li>• Testing identified a number issues which are detailed in the body of report.</li> <li>• A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out.</li> </ul>   |
| 3 | There is appropriate monitoring and reporting of debts and write offs                         | ORR08<br>Audit Risk 1 | Reasonable | <ul style="list-style-type: none"> <li>• Performance measures are in place to monitor the collection rates for Council Tax and Non Domestic Rates.</li> <li>• Performance Measures are in place to monitor the maximisation of helping people to access benefits.</li> <li>• There are no performance measures in place to monitor recovery of Sundry debt.</li> <li>• Quarterly meetings with Legal Services to discuss recovery of Sundry Debtors were postponed during the pandemic, these have not been re-instated.</li> <li>• The value of debt being actively managed is not easily quantifiable.</li> <li>• Management information relating to Sundry Debtors is not made widely available; <ul style="list-style-type: none"> <li>- Outstanding Debt reports are issued on the 1<sup>st</sup> of the month to the Health and Social Care Partnership, Finance, Housing, Development and Infrastructure Services, Legal Services and Live Argyll, aged debtors reports are sent to Services who ask;</li> </ul> </li> </ul> |



|  |  |  |  |  |
|--|--|--|--|--|
|  |  |  |  | <p>- Reporting is only to the Financial Services Management Team via Highlight Reports.</p> <ul style="list-style-type: none"> <li>• Provisions for Bad Debt are set in accordance with procedures.</li> </ul> |
|--|--|--|--|--|

16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

A debt recovery procedure been established which specifies the types of action to be taken and timescales for such

17. Argyll and Bute Council's (the Council's) Corporate Debt Policy (the Policy) links to the Council's corporate priorities and outcomes and is governed by and takes cognisance of the Council's Financial and Security Regulations. It is an over- arching document which provides a framework to collect council debt from debtors effectively and efficiently but with due sensitivity to the circumstances of individuals. Specific recovery procedures for each individual debt type are contained in separate manuals and procedures notes. It outlines roles and responsibilities of council officers and management that naturally provide for segregation of duties. It also emphasises the need for good customer service, communications, payment and recovery options.
18. The Policy is published on the Council's website but has not been reviewed since 2017 and does not reflect the Council's current organisational structure, nor current working practices. In particular the Performance and Monitoring requirements outlined in the Policy, refers to targets no longer in place and reporting of Sundry Debtors, that has not been fully implemented and meetings that have been reinstated since the pandemic halted recovery actions.
19. The Revenues and Benefits Manager is currently undertaking a Business Process Review (BPR) of the Revenues and Benefits Service. As part of this, a working group, led by the Head of Legal and Regulatory Services, will be reviewing the Council's Corporate Debt Policy, processes and procedures relating to the management and recovery of debt.

#### Action Plan 1

20. There are currently three main systems used in the management and recovery of Debt;
- Council Tax and Housing Benefit Over Payments are collected and administered using the OpenRevs system;
  - NDR is collected and administered using the Northgate NDR system; and
  - Services use the Debtors Civica Financial System to raise invoices.
21. There are manuals in place providing staff with clear step by step instructions on how to use the systems and there are separate procedural manuals detailing the processes, tasks and actions required for the management and recovery of the four types of debt. The processes relating to Council Tax, NDR and Housing Benefit Over-Payments are primarily set out in legislation. The Council Tax and NDR processes are comprehensive and robust and have contributed to the consistently high levels of collection levels of 96.25% for Council Tax and 96.52% for NDR for the financial year 2021 -2022.

22. The Housing Benefit procedures, while comprehensive, are being updated by the Corporate Debt Recovery Team Leader to reflect the revised working practices which have resulted in the excellent recovery rate of 149% of Housing Benefit Over Payments for the year 2021-2022. This process has not been prioritised due to staffing issues.

**Action Plan 6**

23. The Sundry Debtors processes are set out in the Debtors Procedure Manual using the framework of the Corporate Debt Policy. This document has not been reviewed since 2017 and does not reflect the current Council organisational structure or current working practices. While some of the issues raised can be classed as housekeeping issues, we acknowledge that the manual will be reviewed as part of the Business Process Review. However, there are references to key processes which are not being carried out, in particular;

- There are no targets for the recovery of Sundry Debt;
- Reporting of performance is limited to discussions at Financial Services Team Meetings via highlight reports;
- Management information, in the form of outstanding invoices, should be provided on a monthly basis to a Single Point of Contact in each Service. This is not happening, currently only those Services who request the information are being sent the reports.
- Quarterly meetings with Legal Services to discuss issues regarding the recovery of debt were postponed during the pandemic as all recovery procedures were put on hold, these have not resumed.
- There are currently seven separate recovery routes to meet with specific Service requirements, the manual only refers to two.

**Action Plan 4 and 2**

24. During the time taken to carry out the review there were staff absences in different areas, for a variety of reasons including, illness, maternity cover, holidays and staff required to cover other deadlines. It was noticed that this has had an effect, in part, on the timely progress of the review, and to find information. Conversations with the Revenues and Benefits and Legal Services Managers and with officers involved in the recovery and management of debt have raised concerns over a lack of resilience in this area. Although there is cover for key tasks, any reduction in staffing levels has had a noticeable impact upon the workload for other staff within the teams. While this is a known issue, which will be addressed during the Business Process Review and restructuring of the Revenues and Benefits Service, this represents a potential business continuity risk.

**Action Plan 7**

**Debt management, arrears follow-up procedures and bad debt write offs are properly controlled**

25. To establish whether debt management and arrears follow-up procedures are carried out in accordance with Council Tax and NDR procedures, a sample of 30 records each, were selected from Petitions to Sherriff Courts for testing. For both of these, recovery up to this Sherriff stage, is built into the systems which generate reminders to issue by post, as required by legislation. Processes up to this stage are handled with by the respective teams, while processes from Sherriff Officer onwards are dealt with by the Corporate Debt Recovery Team.
26. The Council, via its website, provides information to the public regarding its Corporate Debt Policy and how it collects and recovers Council Tax and Non Domestic Rates income. The Council Tax web page details how to pay and what help is available to those finding it difficult to pay. This is open and transparent and clearly sets out what happens if you don't pay your Council Tax,

detailing the steps that the Council will take to recover the amounts due and the timescales, listed on the Recovery Timetable, and charges for these.

27. To aide recovery, where the Council has a customer mobile phone number, a text reminder is issued 3 days prior to the dates that the letters must be issued. This had proved successful as it prompted customers to pay. All 30 records were found to follow these procedures and timescales, with notes added to evidence help provided to customers during the processes.

### **Action Plan 8**

28. In April 2022, there was a significant change to the collection of Non Domestic Rates (NDR), with a move from paying the annual amount over two payments in a year, to collection monthly over 10 payments. This information is published on the Business Rates webpage which provided details of how to pay, what reliefs, discounts and help are available. There is no information on the consequences of not paying nor any details of the steps that the Council will take to recover the amounts due and the timescales and charges for these. A review of the information leaflets sent out with annual bills found no mention of the NDR recovery process although it is detailed on the back of reminders issued when an instalment is missed.

### **Action Plan 5**

29. Testing of the NDR records found that all 30 records were processed in line with procedures-
30. Sundry Debtors testing was carried out using a sample of 47 records selected from the Aged Debtors reports and covering the seven recovery routes, 44 of the invoices were raised during the current financial year. The recovery process is built into the system with invoices automatically progressing to the next stage in line with the timeframes detailed in the recovery routes and reminder notices generated by the system using a standard template which details when payment is due, the consequences for non-payment and the timescales. The arrears process is administered by the Sundry Debtors team up until the recovery stage of 'Passed to Legal' at which point the invoices are passed to Legal Services to start formal recovery processes.
31. Our overall conclusion is that debt management and arrears follow-up procedures relating Sundry Debtor invoices are not carried out in accordance with procedures. A number of issues were identified during testing, these included:
- One invoice raised inappropriately for the drawdown of grant monies;
  - Three invoices raised with the incorrect recovery route.
  - There are only two standard templates for the issuing of Council invoices in relation to Sundry Debtors. This is used for all invoices regardless of the recovery routes. The issue arising from this is the recovery route timescales built into the system does not always match that detailed on invoices, reminders and final reminders.
  - Five of the invoices are outstanding but have not been passed to Legal Services because the specific recovery route used means that debt management and follow up should be handled by the Services. We found no notes or evidence on the Debtors system that demonstrates any Service involvement or proactive steps being taken to recovery these monies.

### **Action Plan 3**

32. The Debtors system automatically produces a daily report with a list of invoices which have reached the 'Passed to Legal' timescales, this is emailed to Legal Services on a daily basis. Legal

Services have a flow chart depicting their debt management process using the 'Iken system' which does not interface with the Debtors system.

33. Currently Legal Services have approximately a three month backlog and are working on reports sent to them in December 2022. This primarily stems from staff secondment to duties relating to the Council's Covid Pandemic Response due to the suspension of debt recovery.
34. When invoices are passed to Legal Services, recovery may be hampered due to lack of customer telephone and email contact details being entered when the Debtors records are created by Services. A check on these fields does not form part of the spot checks carried out by the Sundry Debtors team. However, it should be mandatory to complete these fields.

### **Action Plan 3**

35. The value of debt currently being managed by Legal Services is not accurately quantifiable for a number of reasons:
  - Invoices are raised using the Debtors system which does not interface with the Iken System used by Legal Services;
  - The 'Passed to Legal' is the final stage on the Debtors system but not all invoices are moved to this stage e.g. Community Services invoices;
  - Not all debtors are managed by Legal Services (e.g. Commercial Waste issued and managed by Roads and Infrastructure Business Support Team and the Income Maximisation Team in Finance)

### **Action Plan 4**

36. The Corporate Debt Recovery Team are responsible for writing off debt for Council Tax, Non-Domestic Rates and Housing Benefit over Payments (HBOP). Testing undertaken on 10 records, for each of the three types of debt, selected from the accounts written off this current financial year established that all 30 cases complied with the write off processes. There is evidence of supervisory checks on all recommendations passed for consideration for write off and good back up evidence retained to support the decision. Authorisation of the accounts and amounts to be written off was granted as per the Council's Financial Standing Orders prior to the team actioning the write off.
37. While observing staff keying the HBOP write off on the system, it was noticed that there is only one spreadsheet for each category used throughout the whole process, from gathering information to gaining authorisation then keying. Given the time taken to receive authorisation there are occasions where the actual amounts written off are lower than authorised as a payment may have been received. Where this occurs the amount on the spreadsheet is altered to the lower value and actual total amount written off is annotated on the front of the signed authorisation sheet. This means that the original data is not preserved. Staff were made aware of the need to retain original data and immediately added additional amount keyed column to spreadsheets.

### **Action Plan 7**

38. For Sundry Debtors, the current working practice for write offs does not match the Debtors Procedure Manual. Currently, on a quarterly basis, the Sundry Debtors team run an Aged Debt Report and account that fit the criteria of Prescribed Debt or Deceased Customers, are selected for possible write off. This report is then checked to see if there are any recent payments being made before it is then passed to Legal Services to check, as in some cases it may be deemed not financially viable to recover the sums. Where Legal Services believe recovery is still possible they

remove the accounts from the list. The report is then passed to the appropriate signatories as detailed in the Council's Financial Standing Orders for approval and authorisation, and passed back to the Sundry Debtors Team for keying.

39. A reconciliation and check was undertaken on the Sundry Debtor accounts written off for three of the quarters in this current financial year. We found that overall, Sundry Debtors write off is not carried out in accordance with procedures. We identified a number of issues including:

- For all four quarters, Sundry Debtors accounts have been keyed as written off on the system before authorisation has been received.
- In some cases the write off has been created by the NDR and Income Manager and approved by lower graded staff.
- There is insufficient evidence to determine whether all Services receive details of the invoices and amounts being written off;
- Insufficient evidence to conclude whether appropriate supporting back up evidence of what is being written off is retained, leading to concerns that full records may not be retained;
- While there is a 'pdf' version showing the authorisation and the spreadsheets containing the individual invoices, there are concerns that different sources of data are being used during the write off process as there is more than one version of the write off spreadsheet which increases the risk of error.
- The Debtors Procedure manual states that the Revenues and Benefits Manager will have oversight of the accounts to be written off, this is not the current working practice.

#### **Action Plan 2**

40. During our discussions with the Revenues and Benefits Manager, we were advised that the practice of writing off debt in the Debtors System before authorisation had been received has now been rectified with immediate effect. It is understood that the team who carried out the action were trying to streamline the process for departments by providing reports that contained, debt deemed recoverable information only, there was no malicious intent. Furthermore, the reason some debt was recently entered as written off by a Manager and approved by a more junior member of staff was due to the pressures arising from Non-Domestic Rates (NDR) annual billing and the need to prepare the NDR database as part of yearend procedures. We have been assured by the Revenues and Benefits Manager that it is imperative that strict adherence to the Council's Financial Standing Orders in respect of the write-off process is maintained at all times and this has already been made clear to the team

#### There is appropriate monitoring and reporting of debts and write offs

41. The Debtors Procedure Manual does not mention that the keying of the Sundry Debtors Write Offs has two separate stages - first is the creating and approving of invoices as written off on the Debtors system and second is the manual journals to be processed to account for the VAT element of the invoices written off. The journal processed in February 2023 did not contain all of the invoices that had been written off. This caused a difference in the debtors' element of the VAT return. While this was small in value it raises concerns as to whether there is appropriate processes in place to ensure monitoring and oversight of the balancing of the write off, back to the authorised invoices and values.

42. As noted in paragraph 22 in the report above, process detailed within the Debtors Procedure Manual relating to the reporting are not being carried out and there is insufficient reporting and monitoring of Sundry Debtors. While we are aware that these processes will be reviewed as part of the Business Process Review, we recommend that the undernoted be re-instated;

- The provision of reports to Services providing details of the invoices outstanding;
- Meetings between Senior Managers and staff involved in the debt management and recovery process to discuss issues arising;
- Appropriate performance measures for the recovery of Sundry Debtors.

**Action Plan 4**

43. Discussions with the Revenues and Benefits Manager confirms that the annual process for the setting of Bad Debt Provisions is carried out in accordance with the procedures.

## Appendix 1 – Action Plan

|        | No | Finding   | Risk  | Agreed Action  | Responsibility / Due Date  |
|--------|----|---|---|--|--|
| Medium | 1  | <p><b>Corporate Debt Policy</b><br/>The Document has not been updated since 2017 and does not reflect the current Council Organisational Structure nor current working practices.</p>   | <p>Policies are not up to date and do not reflect current working practices.</p>  | <p>The Revenues and Benefits Manager will review the Corporate Debt Recovery Policy and submit it to a working group led by the Head of Legal Services reviewing the Sundry Debt process for consultation. The final document will proceed to October P&amp;R via the Head of Financial Services and Executive Director Kirsty Flanagan’s DMT.</p>   | <p><b>Revenues and Benefits Manager</b><br/><br/><b>31 December 2023</b></p> |
| Medium | 2  | <p><b>Debtors Procedure Manual and Processes</b><br/><b>Finding:</b><br/>The Debtors Procedure Manual has not been reviewed since 2017 and does not reflect the current Council Organisational Structure or current working practices.</p> <p><b>Recommendation:</b><br/>A full review of the processes and procedures for Sundry Debtors relating to the management, arrears, follow-ups and bad debt write offs should be carried out., then the Debtors Procedure Manual should be updated .</p> | <p>Procedures are not up to date and do not reflect current working practices.</p> <p>And</p> <p>Council systems and processes may not be effective in maximising debt recovery</p> | <p>A working group (“the working group”), led by the Head of Legal and Regulatory Services, will review the Sundry Debt Procedure Manual, processes and procedures relating to the management and recovery of Sundry debt.</p> <p>This document will progress through the Council’s DMT to SMT/ELT in a similar timescale to the Corporate Debt Recovery Policy going to P&amp;R (see action 1 above).</p> <p>This working group review of Sundry Debt will include the key issue of reporting, this aspect of the process will be vastly improved in the future. A suite of reports will be developed, the identification departmental debt</p> | <p><b>Revenues and Benefits Manager</b><br/><br/><b>31 December 2023</b></p> |

| No | Finding  | Risk | Agreed Action  | Responsibility / Due Date   |
|----|--|------|--|---|
|    | <p><b>Finding:</b><br/>Management information, detailing outstanding invoices, should be provided on a monthly basis to a Single Point of Contact in each Service. This is not happening, currently only those Services who request the information are being sent the reports.</p> <p><b>Recommendation:</b><br/>Reports should be provided to all Services.</p> <p><b>Finding:</b><br/>There are now seven separate recovery routes to meet with specific Service requirements, the manual only refers to two.</p> <p><b>Recommendation:</b><br/>The manual should be updated.</p> <p><b>Finding:</b><br/>For all four quarters, Sundry Debtors accounts have been keyed as written off on the system before authorisation has been received.</p> <p><b>Recommendation:</b><br/>This should never happen, authorisation must always be received prior to keying.</p> <p><b>Finding:</b><br/>In some cases the write off has been created by the NDR &amp; Income Manager and approved by lower graded staff.</p> |      | <p>champions reinstated and quarterly meetings setup for all relevant stakeholders.</p> <p>All recovery routes to be reviewed as part of working group duties and be rationalised as far as it is possible to do so. Each remaining recovery route will have an end that ensures that formal action is being taken on any debt that is not recovered where this is Council debt.</p> <p>Agreed, already actioned</p> <p>Agreed, already actioned</p> <p>Agreed, already actioned</p> | <p><b>Suite of reports, September 2023</b></p> <p><b>Revs and Bens Manager/ Legal Manager Meetings with services/identified stakeholders by 31 March 2024</b></p> <p><b>Revs and Bens Manager 31 March 2024</b></p> |



| No | Finding   | Risk | Agreed Action   | Responsibility / Due Date  |
|----|---|------|---|--|
|    | <p><b>Recommendation:</b><br/>To avoid the risk of imposition the approver should be a higher or equal grade than the creator.</p> <p><b>Finding:</b><br/>The Debtors Procedure manual states that the Revenues and Benefits Manager will have oversight of the accounts to be written off, this is not current working practice</p> <p><b>Recommendation:</b><br/>Consideration should be given to introducing this overview.</p> <p><b>Finding:</b><br/>There is insufficient evidence to determine whether all Services receive details of invoices being written off.</p> <p><b>Recommendation:</b><br/>Services should be sent this information.</p> |      | <p>Agreed, already actioned</p> <p>A thorough review of Sundry Debt write-off procedure to be carried out by the working group as part of the overall update of the Sundry Debt Procedures.<br/>Reporting and communication with stakeholders is being reviewed by the working group. It is anticipated that reports of debt written off will be sent to departments as part of a standard suite of reporting for discussions at quarterly meetings this will be confirmed within the reviewed Sundry Debt Procedure Manual.</p> <p>Back up evidence re write-off should be retained, the write-off lists and any backup documentation held together in MS Teams group for example. This could be further enhanced if we can use EDMS for storage of the information. If we can move this onto Civica's Electronic Document Management System</p> | <p><b>Revs and Bens Manager</b><br/><b>20 April 2023</b></p> <p><b>Revs and Bens Manager</b><br/><b>31 December 2023</b></p> <p><b>Revs and Bens Manager</b><br/><b>31 December 2023</b></p> <p><b>Civica EDMS System Admin</b><br/><b>Discussion with Supplier May 2023</b></p> |

|  | No | Finding   | Risk | Agreed Action  | Responsibility / Due Date   |
|--|----|---|------|--|---|
|  |    | <p><b>Finding</b><br/>Insufficient evidence to conclude whether supporting back up evidence of invoices being written off is retained, leading to concerns that full records may not be retained.</p> <p><b>Recommendations:</b><br/>Checks should be carried out to ensure that appropriate back up is retained.</p> <p><b>Finding:</b><br/>While there is a pdf version of the authorisation and the spreadsheets containing the individual invoices, there are concerns that different sources of data are used during the write off process as there is more than one version of the write off spreadsheet.</p> <p><b>Recommendation:</b><br/>Checks should be carried out to ensure that Original Data is retained with records kept of any alteration to the Source Data.</p> |      | <p>(EDMS) Comino this will make collation of information, document retention and disposal so much easier and more efficient. Discuss with Civica, re the use of the Electronic Document Management System for these purposes and overall case management. Improve the file structure within the network with the supporting documentation.</p> <p>There must only be one version of the write-off spreadsheet. This can be shared between Finance and Legal Services on MS Teams. Changes can be made to the document by Legal or Finance before it is presented to senior management for final consideration.</p> | <p><b>Revs and Bens Manager Evaluation of options July 2023</b><br/><b>Revs and Bens Manager Development and Implementation of Solution March 2024</b><br/><b>NDR and Income Manager to review the file structure on the network.</b></p> <p><b>Revs and Bens Manager</b><br/><b>31 December 2023</b></p> |

|        | No | Finding  | Risk | Agreed Action   | Responsibility / Due Date   |
|--------|----|--|------|---|---|
|        |    | <p><b>Finding:</b><br/>The Debtors Procedure Manual does not mention that the keying of the Sundry Debtors Write Offs has two separate stages - first is the creating and approving of invoices as written off on the Debtors system and second is the manual journals to be processed to account for the VAT element of the invoices written off. The journal processed in February did not contain all of the invoices that had been written off. This caused a difference in the debtors' element of the VAT return. While this was a small value it raises concerns as to whether there is appropriate monitoring and oversight of the balancing of the write off, back to the authorised invoices and values.</p> <p><b>Recommendation:</b><br/>Checks should be carried to ensure that there is appropriate monitoring and oversight of the balancing of the write off, back to the authorised invoices and values.<br/>The Debtors Procedure Manual should be updated to reflect all stages of the write off.</p> |      | <p>This can be added to the revision of the procedure manual which will be finalised in December 2023. NDR and Income Manager will ensure the write-offs in the Debtors system are fully reconciled with the general ledger position each quarter.</p>  | <p><b>Revs and Bens Manager</b><br/><b>31 December 2023</b></p>           |
| Medium | 3  | <p><b>Raising of invoices and Recovery Routes</b><br/><b>Finding:</b><br/>Invoice inappropriately raised for the drawdown of grant monies. Legal Services confirm this is not a one off.</p> <p><b>Recommendation:</b><br/>Services should be reminded that Debtors invoices should not be raised for the drawdown of grant monies nor to recover income</p>   |      | <p>These examples should be collated and used to support some internal training that will be delivered to launch the new Sundry Debt Procedure Manual. Training will be delivered by Finance and Legal Services to all users of the Sundry Debt System. Consideration will be given to the format of the training, ie:- mandatory e-training for all current users and new users or something delivered via MS Teams.</p> | <p><b>Revs and Bens Manager/Legal Manager</b><br/><b>30 June 2024</b></p> |

|        | No | Finding  | Risk   | Agreed Action   | Responsibility / Due Date  |
|--------|----|--|--|---|--|
|        |    | <p><b>Finding:</b><br/>There are only two templates for the issuing of invoices and reminders, Argyll General and Argyll CS, but there are seven different recovery routes. This is used for all invoices regardless of the recovery routes. The issue with this is that the recovery route timescales built into the system do not always match that detailed on the standard templates for invoices, reminders and final reminders.</p> <p><b>Recommendation:</b><br/>In consultation with Legal Services a review should be undertaken to ensure the stated terms and conditions match the recovery routes and reflecting the appropriate consequences for not paying.</p> <p><b>Finding:</b><br/>Legal Services recovery is hampered due to lack of customer telephone and email contact details being entered when the Debtors records are created by Services.</p> <p><b>Recommendation:</b><br/>Phone number and email fields should be mandatory</p> |  | <p>Training to be delivered to all users by June 2024.</p> <p>Recovery Routes to be reviewed by working group. Rationalised where possible. A process will be put in place whereby new recovery routes should be signed off by senior officers in Finance and in Legal Services in the future.</p> <p>Speak to System supplier about making these fields mandatory for users to complete if raising a debtor account.</p> | <p><b>NDR and Income Manager</b><br/><b>31 October 2023</b></p> <p><b>NDR and Income Manager</b><br/><b>30 June 2023</b></p> |
| Medium | 4  | <p><b>Performance Monitoring and Reporting Findings</b></p> <ul style="list-style-type: none"> <li>There are no performance measures in place to monitor recovery of Sundry debt</li> <li>Quarterly meetings with Legal Services to discuss recovery of Sundry Debtors were postponed during the pandemic, these have not been re-instated.</li> </ul>   | <p>Council systems and processes may not be effective in maximising debt recovery</p> <p>And</p> | <p>Performance monitoring and reporting will be a key part of the Sundry Debt review undertaken by the working group led by the Head of Legal Services.</p> <p>It is anticipated that proposals for quarterly meetings and the reporting</p>  | <p><b>Revenue and Benefit Manager</b><br/><b>31 March 2024</b></p>   |

| No | Finding  | Risk   | Agreed Action   | Responsibility / Due Date   |
|----|--|--|---|---|
|    | <ul style="list-style-type: none"> <li>• Management information relating to Sundry Debtors is not made widely available;               <ul style="list-style-type: none"> <li>○ Aged debtors reports are only sent to Services who ask;</li> <li>○ Reporting is only to the Financial Services Management Team via Highlight Reports.</li> </ul> </li> </ul> <p><b>Recommendations:</b><br/>Appropriate performance measures should be put in place to monitor recovery of Sundry Debt.<br/>The meetings with Legal Services should be re-instated and consideration given to which committees and meetings should receive reports regarding the management and recovery of Sundry Debtors.</p> <p><b>Finding:</b><br/>The value of debt currently being managed by Legal Services is not accurately quantifiable.</p> <ul style="list-style-type: none"> <li>• The Passed to Legal is the final stage on the Debtors system but not all invoices are moved to this stage e.g. Community Services Invoices</li> <li>• Not all debtors are managed by Legal Services (e.g. Commercial Waste issued and managed by Roads and Infrastructure Business Support Team and the Income Maximisation Team in Finance)</li> <li>• Invoices are raised using Civica Debtors system which does not interface with the Iken System used by Legal Services</li> </ul> <p><b>Recommendation:</b><br/>Consideration should be given to whether it is practical/ cost effective to add other stages to the Debtors system e.g. Legal Letter 1 or Passed to Sherriff etc</p> | <p>Debt management, arrears follow-up procedures and bad debt write offs may not be properly monitored and reported.</p> | <p>suite will be developed and implemented by March 2024</p> <p>The process for the raising of and the recovery Commercial Waste debt and Residential Care debt will be considered as part of the Review of Sundry Debt.<br/>There was efforts made previously by staff in D&amp;I and Finance to integrate Commercial Waste onto the Sundry Debt system but it failed</p> <p>The ongoing work of the working group will examine the possibilities of adding legal recovery stages to the Sundry Debt system.</p> | <p><b>Head of Legal and Regulatory Services</b></p> <p><b>31 March 2024</b></p> <p><b>NDR and Income Manager to implement new recovery stages, 31 December 2023</b></p> |

|     | No | Finding   | Risk  | Agreed Action   | Responsibility / Due Date  |
|-----|----|---|---|---|--|
| Low | 5  | <p><b>Non Domestic Rates Recovery</b></p> <p><b>Finding:</b><br/>Information published on the website and sent out in the NDR information leaflets does not detail the consequences for non-payment nor details of the steps that the Council will take to recover the amounts due and the timescales and charges for these.</p> <p><b>Recommendation:</b><br/>The website and information leaflets should be updated</p>   | Customers' expectations are not managed which may lead to failure to achieve budgeted income from local taxes | Website to be updated alongside the leaflet issued annually to ratepayers.  | <p><b>NDR and Income Manager</b></p> <p><b>30 September 2023</b></p>             |
| Low | 6  | <p><b>Housing Benefits Procedures</b></p> <p><b>Findings:</b><br/>The Housing Benefit procedures, while comprehensive, are being updated by the Corporate Debt Recovery Team Leader to reflect the revised working practices. This process has not been prioritised due to staffing issues.</p> <p><b>Recommendation:</b><br/>Complete the revision of the Housing Benefits Procedures</p> <p><b>Finding:</b><br/>The HBOP write off original data is not maintained.</p> <p><b>Recommendation:</b><br/>Either the original spreadsheet is printed to pdf when being passed for authorisation or the original data tab be copied to a new tab titled Keyed.</p> |   | Revision of HBOP recovery procedures to be updated and the write-off procedure updated to reflect the fact that if there is movement in the amount of debt to be written off during the period that the write-off is being considered by senior management the these individual debts will be removed from the current write-off process, have their circumstances reviewed and be reconsidered for write-off in a future quarter. However if the reason for the change is that a debtor has started to pay then the expectation is that the debt will not be presented for write-off in the near future. If the reason for the change is a backdated adjustment to benefit entitlement then this could possibly be represented to the Executive Director in future write-off | <p><b>Corporate Debt Recovery Team Leader</b></p> <p><b>31 December 2023</b></p> |

|     | No | Finding   | Risk  | Agreed Action   | Responsibility / Due Date   |
|-----|----|---|---|---|---|
|     |    |   |   | if the reason for the write-off action remains unchanged. Whatever the circumstances the individual debt will be removed from the existing write-off exercise and reviewed before the appropriate course of action is taken.  |   |
| Low | 7  | <b>Resilience</b><br>Although there is cover for key tasks, any reduction in staffing levels has a noticeable impact upon the workload for other staff within the teams. This is a known issue, which will be addressed during the Business Process Review and restructuring of the Revenues and Benefits Service | Potential business continuity risk  | Issue of resilience continues to be reviewed as part of the overall Revs and Bens BPR. 1 FTE has been added to the team permanently, the rest of the roles are currently under review.  | <b>Revenues and Benefits Manager</b><br><br><b>31 March 2024</b>                |
| VFM | 8  | <b>Sharing of good practice</b><br>Consideration should be given to whether it is possible to issues text message reminders for Non Domestic Rates missed payments.   | No risk – this has proved successful at prompting Council Tax customers to pay. | The service would like to look at the possibility of E-billing and text reminders for NDR in the future. There will be a cost to this, given that NDR income is pooled by the government it has never been our highest priority. That being said it would introduce improvements for our businesses. We will approach the systems supplier, Northgate (Orbis) and get quotes for this work. At that point a business case will need to be considered before any other progress can be made. | <b>NDR and Income Manager</b><br><br><b>Quote to be requested by June 2023.</b> |

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   |
|---------------|--|
| <b>High</b>   | 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.  |
| <b>Medium</b> | 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. |
| <b>Low</b>    | 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.  |
| <b>VFM</b>    | 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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  
June 2023  
FINAL

# Burial Records

Audit Opinion: Reasonable

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 1    | 3      | 2   | 0   |

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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 Burial Records.
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) is a burial authority and as such has a legal duty to provide a burial facility in the Council area.
5. Due to the diverse geography of Argyll and Bute, a single burial ground is not appropriate and as such, the Council operates 131 burial grounds, 68 of which are closed leaving 63 able to take additional burials. As each cemetery nears capacity it is difficult to identify and purchase land which is suitable and cost effective for the purpose of accommodating burials. Five of the 63 operational cemeteries are expected to reach capacity within the next 5 years. A specific [report](#) detailing capacity issues has been submitted to the Environment, Development and Infrastructure (EDI) Committee on 2 March 2023.
6. The Council has been utilising a computerised Burial and Cremation Administration System (BACAS) since 2003, to record details of burials and cremations in addition to maintaining manual records at area offices. Burial records prior to 2003 have not been fully transferred to the BACAS to enable information to be accessed remotely.
7. The provision of a burial and cremation service across the Council area involves a wide range of staff in terms of management, administration and operational requirements. Due to an aging workforce, a number of key members of staff have reached or are approaching retirement age and there has been difficulty in recruiting and training replacements for those members of staff.
8. Charges for burial services are reviewed annually and updated as required, the fees charged by other comparable local authorities are similar in some elements and vary significantly in others. There are no charges imposed for burial of under 18s.
9. Income for services provided is not always received in a timely manner, as at 1 March 2023, £155k cemetery income is outstanding, £73k of which has been outstanding for greater than 3

months and has been passed to the Council's legal services to pursue in accordance with the Council's corporate process.

10. The overall budget for burial services in the current year (2022-23) is £470k, there are elements of this that are uncontrollable, however, there are no major concerns regarding meeting this target.

## Scope

11. The scope of the audit was to review the control environment and administration of burial records as outlined in the Terms of Reference agreed with the Head of Roads and Infrastructure Services on 23 March 2023.

## Risks

12. The risks considered throughout the audit were:
  - SRR 06 – Service Delivery
  - Audit Risk 1 – failure to comply with relevant legislative/regulatory requirements
  - Audit Risk 2 – recruitment and retention of trained workforce (age profile, training and absence)
  - Audit Risk 3 – burial records may not be accessible in an electronic format in support of remote working arrangements

## 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 reasonable level of assurance. This means that 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.

## Recommendations

15. We have highlighted one high priority recommendations, three medium priority recommendations and two low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - A unified approach to records management should be adopted to establish consistency and provide resilience across the service. Additionally, a sample of burial records should be periodically checked for accuracy. This should be documented in a procedure note and issued to the relevant members of staff.
  - Policies and procedures should be subject to periodic review and updated as required. Updated documents should be promptly circulated to staff and published on the Council's website where appropriate.

- Liaise with the Council's ICT Service to establish a more secure means of access to BACAS.
- Management should undertake a review of the BACAS system user requirements and ensure sufficient licences are purchased to maintain service delivery as well as legal compliance.
- Liaise with system provider and other Local Authorities to establish which additional features would provide benefits to the service.
- Source temporary additional resource to update historical burial records on BACAS.

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 | Burial records are complete, accurate and up-to-date. | All Risks    | Reasonable | Policies and procedures are in place and made available to staff, however these require to be reviewed on a regular basis. There is no procedure in place to guide staff in maintaining burial records which has resulted in some inconsistencies across the service and unnecessary printing of documentation received electronically. The BACAS system is updated with burial details following receipt of the application for interment. The system has additional functionality that may help deliver efficiencies but are not currently utilised. Traditional registers are updated with appropriate burial information to match BACAS system. Historical information from traditional registers has been updated on BACAS in one area and partially in others when lairs are re-opened, the majority of burial records have yet to be updated. There is no record of private (home) burials outwith registered private burial grounds and documentation in support of exhumations was not available at the time of the review. |
| 2 | Burial records are maintained in a safe               | All Risks    | Reasonable | The BACAS system is installed on a terminal server managed by the  |

|   |   |           |             |  |
|---|---|-----------|-------------|--|
|   | and secure manner to preserve integrity of information stored.  |           |             | <p>Council's ICT service and supported by the supplier, Clear Skies. Users logon to the terminal server but there is no additional requirement to logon to the BACAS system, therefore any employee with access to the terminal server has unrestricted access to BACAS. The Council has purchased 8 licences for BACAS but it is unclear if this is the optimum number required. There are no supervisory checks in place and no reports are generated to highlight exceptions or management information.</p> <p>Traditional registers are stored securely either in locked rooms, a safe or in locked filing cabinets. Printed application for interment forms and supporting documentation were either stored with the registers or in offices which are locked when unattended. Where retained, electronic versions of the forms and documents are saved on the Council's secure network drives.</p> |
| 3 | Burial records are available to those with authority to access them and a General Data Protection Regulations (GDPR) compliant version made available to the general public upon request. | All Risks | Substantial | <p>The BACAS system is able to restrict user access levels according to level of responsibility but this is not currently used due to the method of access. Whilst this provides resilience across the service it also increases risk of unauthorised access and errors affecting data integrity. Leavers are promptly removed from the Council's network via a corporate process, however, access may be retained if moving to another post within the Council. Burial registers are not currently made available to the public to view in compliance with GDPR legislation but information can be provided upon request and payment of associated charge.</p>  |

18. Further details of our conclusions against each control objective can be found in Section 3 of this report.



### 3. Detailed Findings

Burial records are complete, accurate and up-to-date

19. Policies and procedures have been prepared and made available to employees on a SharePoint site, additionally, the Rules for the Management of Burial Grounds and Protocol for provision of cemetery and cremations services are available to the public on the Council's [website](#) in addition to other [general information](#). The documents are clear and concise, relevant to work involved and consistent with legislative requirements, however, there is no evidence that these documents have been subject to regular review. It is noted that an update to the Rules for the Management of Burial Grounds has been presented to the Environment, Development and Infrastructure Committee on 2 March 2023 and endorsed, this document has yet to be circulated to staff and published on the Council's website.

Action Plan 2

20. A system manual has been provided to the system administrator, however, it is not currently available to BACAS users. There are help menus embedded within the system and peer support is available for inputting of data, any system issues are progressed by the system supplier, Clear Skies.
21. There is no procedure document in place to guide staff in maintaining burial records. Whilst the burial registers vary from cemetery to cemetery, the application for interment form and other supporting documentation is consistent across the Council. It was observed at the time of the audit that there are some variances in the filing structure of these documents and updating of the BACAS burial system.

Action Plan 1

22. Burials are arranged via phone call from a funeral director or applicant directly and recorded in a manual desk diary, the full details are promptly updated on the BACAS system upon receipt of the application for interment form and other relevant supporting documentation. Unless an existing lair is to be re-opened, lairs will be purchased at this stage and a certificate of right of burial is generated and issued to the applicant. The BACAS system also generates a digging slip which is passed to the appropriate operations team to include the burial service within their work schedule and financial summary to update the debtors system with the charges incurred.
23. The burial registers and lair plans located in Council offices are old and very delicate in some instances, they contain the required fields for recording information and are updated periodically when a few burials have accumulated as they are stored in other parts of the buildings. Where registers are also maintained at cemeteries, these are updated by the operations team when the burials take place.
24. The BACAS system is user friendly and contains all of the required fields for inputting burial information and has additional functionality that is not currently utilised. Users are not aware of any reports being generated to provide management information. Management is aware that other Local Authorities are using the booking function and recording additional information such as when lairs are levelled. It is also possible that the financial information may be extracted to feed the debtors system without the need to duplicate manual input.

Action Plan 5

25. BACAS has been used by the Council since 2003, whilst it has been updated with information from the traditional registers in some areas, this has not been possible in all areas due to the volume of work this requires. There has been some effort to update information when lairs are reused and information is to hand. Part 7, section 102 of the Burial and Cremation (Scotland) Act 2016 (The Act) requires “information and registers to be kept in electronic form”, Scottish Government has advised that this section is not yet in force, however, management should prepare for this change and ensure that all information is available electronically when implemented.

Action Plan 6

26. A sample of 34 recent burials was selected for audit review and all were found to have been updated on BACAS, however, the applicant tab was not updated in one area as it was considered that the funeral director information was sufficient.

Action Plan 1

27. The Application for interment form and supporting documentation is now submitted to the Council via email, a change that was implemented during remote working requirements as a result of Covid and has continued. These documents are then printed and filed within the local area office. Scottish Government has advised that the electronic copy is sufficient.

Action Plan 1

28. Private burial grounds are recorded on BACAS, however, home burials are not. Section 23 of The Act requires that “Each local authority must prepare and maintain a register of private burials authorised by the authority”. When an enquiry for a private burial is received, the details are passed to colleagues in Environmental Health to provide information to the applicant. Whilst there is a record of the enquiry, the burial does not appear to be formally authorised or registered.

Action Plan 1

29. Section 30 of The Act requires that “Each local authority must prepare and maintain a register containing prescribed information about exhumations of human remains”. When an exhumation is required, both the registers and the BACAS system are updated to reflect the removal of the human remains. In one instance BACAS had not been updated (this was corrected at the time of the audit visit) and we were informed that in another instance the record had been deleted as the remains were no longer within the lair. There is no separate register of exhumations maintained and at the time of the audit we could not be advised of the location of the formal documentation authorising each exhumation.

Action Plan 1

30. The sample of 34 recent burials was also reviewed to ensure application for interment and all relevant supporting documentation was available for review at the time of the audit visit:

- The application for one interment and its supporting documentation could not be located in one area.
- One application did not include the appropriate document for transferring human remains from England to Scotland.

- With the exception of one very recent interment, all registers had been updated with the appropriate burial information and lair holders were recorded.
- Digging slips had been generated by BACAS, passed to the operations team and returned upon completion of the burial.

Action Plan 1

*Burial records are maintained in a safe and secure manner to preserve integrity of information stored*

31. The BACAS system is located on a terminal server managed by the Council's ICT service and is included within the routine back-up and business continuity processes applied at a corporate level. Users access the terminal server using a shortcut provided by ICT on their assigned laptop and are required to re-enter their network credentials to gain access. The BACAS system has 9 users assigned (one is system support), however, this does not prevent other users from accessing the system as no authentication is required to gain access, therefore, any user with access to the terminal server has full unrestricted access to BACAS.

Action Plan 3

32. The Council purchased 8 licences for BACAS when previously installed on stand-alone desktop computers within area offices. At the time of the review it was unclear whether these were user licences or concurrent licences and whether 8 licences was optimum for the number of system installations and users in place.

Action Plan 4

33. The BACAS system makes use of compulsory fields to ensure essential data is input and dates are added via a calendar icon. There are no supervisory checks in place and no exception or management information reports are generated.

Action Plan 1

34. Registers and lair books were all stored safely in locked rooms, a safe or in a locked filing cabinet. The printed application forms and supporting documents were retained with the registers in one location and partially in another, the remainder were stored in files within the office area which are locked when unattended. Where electronic versions are retained, these are saved in the secure shared drive areas managed by ICT service.

*Burial records are available to those with authority to access them and a General Data Protection Regulations (GDPR) compliant version made available to the general public upon request*

35. The BACAS system is able to apply access restrictions based on specific roles and user location, however, this is not currently implemented due to the method of accessing the system. Unrestricted access for all users of the BACAS system provides resilience across the service but it also increases the risk of unauthorised access and errors affecting data integrity.

Action Plan 3

36. Leavers are promptly removed from the BACAS system when leaving the service, however this does not prevent them having access if moving to another post within the Council and network

access is retained. Employees leaving the Council are removed from the ICT network as part of the corporate leaver process.

## Action Plan 3

37. There is no requirement for specialist stationery for system output. Printing is managed by the corporate print server which requires a personal access code to facilitate printing of documents.
38. It is not possible to make burial registers available to the public to view as the lair holder information may be covered by General Data Protection Regulations (GDPR). Searches can be made on behalf of members of the public upon completion of the lair enquiry form and payment of the associated charge. Officers will provide the applicant with the information requested and exclude any personal information they are not entitled to receive.

## Appendix 1 – Action Plan

|        | No. | Findings & Recommendations  | Risk  | Agreed Action   | Responsibility / Due Date  |
|--------|-----|---|---|---|--|
| High   | 1   | <p><b>No Procedure for Records Management</b></p> <p>Finding: There is no consistent approach to updating and managing burial records across the Service.</p> <p>Finding: Private burials on home ground do not appear to be authorised or registered.</p> <p>Finding: Officers are printing documentation provided by funeral directors and applicants via email unnecessarily.</p> <p>Finding: Documentation was missing or could not be located at the time of the audit visit.</p> <p>Recommendation: A unified approach to records management should be adopted to establish consistency and provide resilience across the service. Additionally, a sample of burial records should be periodically checked for accuracy. This should be documented in a procedure note and issued to the relevant members of staff.</p> | <p>An offence may be committed under The Act as data may not be fully or accurately populated on the BACAS burial system and lair/burial registers.</p> <p>Records may be misplaced or difficult to locate.</p> | <p>A unified approach to records management will be implemented and documented in a procedure note. This will include a requirement for periodic sample checking to take place.</p> | <p>Operations Manager,<br/>Roads and Infrastructure Services</p> <p>30 June 2024</p> |
| Medium | 2   | <p><b>Review of Policies and Procedures</b></p> <p>Finding: Policies and procedures provided to the auditor contained no evidence of recent review or were not dated.</p> <p>Recommendation: Policies and procedures should be subject to periodic review and updated as required. Updated documents should be promptly circulated to staff and published on the Council’s website where appropriate.</p>   | <p>Policies and procedures may not reflect current working practices.</p>   | <p>Policies and procedures will be reviewed and updated if required. These will be re-issued to staff and published where appropriate.</p>  | <p>Operations Manager,<br/>Roads and Infrastructure Services</p> <p>30 June 2024</p> |

|        | No. | Findings & Recommendations  | Risk  | Agreed Action  | Responsibility / Due Date  |
|--------|-----|---|---|--|--|
| Medium | 3   | <p><b>Access to BACAS</b></p> <p>Finding: BACAS is located on a terminal server and is available to all employees with access to that terminal server as no further user authentication is required to gain full system access.</p> <p>Recommendation: Liaise with the Council's ICT Service and system supplier to establish a more secure means of access to BACAS.</p> | Unauthorised users may gain access to the BACAS system and affect the integrity and security of the data.               | The system supplier will be approached to activate the login function within the system to provide an additional layer of security.                                      | Operations Manager,<br>Roads and Infrastructure Services<br><br>31 December 2023 |
| Medium | 4   | <p><b>BACAS Licences</b></p> <p>Finding: The Council has purchased 8 licences for BACAS, however, it is unclear if these are user or concurrent licences and whether 8 licences are the optimum required.</p> <p>Recommendation: Management should undertake a review of licences for the BACAS system.</p>   | The council may have the incorrect number of licences in place to access the BACAS system resulting in legal challenge. | The Council will liaise with the system supplier to ensure the optimum number of licences are in place to maintain service delivery.                                     | Operations Manager,<br>Roads and Infrastructure Services<br><br>31 December 2023 |
| Low    | 5   | <p><b>Additional Functions within BACAS</b></p> <p>Finding: BACAS system has additional functionality that is not currently utilised to provide efficiencies.</p> <p>Recommendation: Liaise with system provider and other Local Authorities to establish which additional features would provide benefits to the service.</p>  | BACAS system is not fully-utilised to provide efficiencies and best value.  | The service will liaise with the system provider and other local authorities to identify useful additional system functionality and arrange training for implementation. | Operations Manager,<br>Roads and Infrastructure Services<br><br>30 June 2024     |

|     | No. | Findings & Recommendations   | Risk   | Agreed Action  | Responsibility / Due Date  |
|-----|-----|--|--|--|--|
| Low | 6   | <p><b>Historical Register Information</b></p> <p>Finding: The Burial and Cremation (Scotland) Act 2016 (The Act) requires information to be retained electronically although this is not currently in force it will be at a future date. The BACAS system has been partially updated with historical information recorded in burial registers, it has not been possible to update with all information due to the volume of work involved.</p> <p>Recommendation: Source temporary additional resource to update historical burial records on BACAS.</p> | Burial records may not be fully electronic when part 7, section 102 of The Act comes into force. | The service will source temporary assistance to update records during Summer 2024. | <p>Operations Manager,<br/>Roads and Infrastructure<br/>Services</p> <p>30 June 2024</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   |
|---------------|--|
| <b>High</b>   | 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.  |
| <b>Medium</b> | 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. |
| <b>Low</b>    | 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.  |
| <b>VFM</b>    | 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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

April 2023

FINAL

# Counselling in Schools

Audit Opinion: Substantial

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 0      | 2   | 0   |

CHOOSE ARGYLL. LOVE ARGYLL.

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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 Counselling in Schools.
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. Mental Health is a priority of the Scottish Government and all wider wellbeing professionals who work with children and young people as outlined in the Mental Health Strategy 2017-2027. Poor mental health is associated with significantly worse educational and longer-term life outcomes, which are exacerbated by social inequalities such as poverty.
5. In 2018, the Scottish Government announced an investment of over £60 million for additional school counselling services across Scotland with the aim of responding to mild and moderate emotional and mental health needs experienced by young people. This funding aimed to deliver counselling services to children and young people aged 10 and above. For the initial years, Argyll & Bute Council received £377k annually. This money has now been baselined and the Council will receive £370k each year moving forward. Within the Council, the funding has been fully utilised to develop a counselling in schools service, which has been in place since January 2021.
6. The aims of the Scottish Government funding were to provide, in partnership between local and national government:
  - access to counselling through schools, enabling locally provided support for children and young people towards positive mental health and wellbeing
  - high quality and effective counselling support as part of a range of supports available locally to children and young people
  - counsellors who are accredited and working to an agreed standard across Scotland
  - Access to counselling through primary, secondary and special schools, ensuring consistently high quality services available locally, for pupils aged 10 and over

The Scottish Government set of ten nationally agreed core principles to achieve those aims.

7. The Counselling in Schools Service that was in place until December 2022 provided an early intervention through therapeutic counselling to children aged 10 and above. This directly supports children and young people with health and wellbeing concerns. Counselling offers young people, a safe and supportive environment to talk over difficult issues in confidence. This involves listening to their views, experiences and feelings without judgement, within the context of a safe and trusting relationship characterised by empathy and respect. As a joint development project by NHS Highland and the Council's Educational Psychology Service, the Counselling in Schools Service made a considerable contribution towards all of the four core aims of the current Children and Young People's Service Plan 2020-2023.
8. Following the completion of the initial project, the Council has commissioned a new School Counselling service, which is materially different from the original one.

## Scope

9. The scope of the audit was to assess the use of the three year Scottish Government funding to support the delivery of counselling through schools against the set of ten nationally agreed core principles as outlined in the Terms of Reference agreed with the Chief Education Officer/ Head of Education-Wellbeing, Inclusion and Achievement on 1 February 2023.

## Risks

10. The risks considered throughout the audit were:
  - Audit Risk 1: Failure to fulfil Scottish Government grant conditions
  - Audit Risk 2: Failure to make effective use of Scottish Government Grant funding
  - Audit Risk 3: Failure to deliver counselling services against the set of ten nationally agreed core principles
  - Audit Risk 4: Failure to measure and report against agreed outcomes

## 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 2 to this report.
12. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that 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.

## Recommendations

13. We have highlighted two low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - Robust records should be maintained to support the decision making process of projects

- Where a service is provided on behalf of Education and a Service Level Agreement (SLA) is not required a written specification of the expectations and outcomes should be recorded

14. 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

15. 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 | Scottish Government funding has been used effectively to deliver counselling services | Audit Risk 1<br>Audit Risk 2 | Reasonable | <p>Within the Council the temporary funding was utilised to develop a counselling in schools service which has been in place since January 2021. The Council did not have an existing counselling service therefore there were delays in the commencement of the service resulting in Year 1 funding being underspent. After discussions with partners and careful consideration it was agreed that the counselling service would be delivered by the HSCP with funding transferring from Education to the NHS. There are no records to support the appraisal and decision making process for the delivery of counselling services. In addition, although no service level agreement was required between Education and the HSCP, there is no written agreement setting out delivery or monitoring expectations for the service.</p> <p>Over 729 young people engaged with the service during the period of funding to December 2022. Whilst we can draw a substantial level of assurance that young people have benefited from the delivery of an effective counselling service based on the outcomes measured against the ten nationally agreed core principles, the funding provided by the Scottish Government was not fully utilised and has carried forward an underspend to the new project.</p> |

|   |   |              |             |  |
|---|---|--------------|-------------|--|
| 2 | Counselling services have been delivered against the set of ten nationally agreed core principles | Audit Risk 3 | Substantial | Counselling services have been delivered against the ten nationally agreed core principles. The commitment to the provision of counselling was delivered in partnership between relevant partners. It is clear that there was a multi-agency partnership commitment to deliver counselling in schools. The provision of counselling was part of a holistic [child centred] approach to improving the mental health and wellbeing of children and young people. The holistic approach used within the Council is the Child Centred Learning (GIRFEC). There was availability of counselling services during school holidays, to ensure continued support to vulnerable young people.  |
| 3 | Outcomes are measured and reported  | Audit Risk 4 | Substantial | The impact of counselling is assessed using the Strengths and Difficulties Questionnaire (SDQ) and the Young Persons CORE 10 (YP-CORE 10) which are both assessment tools used to evaluate progress. The outcomes set were in line with the Scottish Governments Core Principles and reporting requirements. Councils were required to submit regular reports on a six monthly basis to the Scottish Government detailing outcomes over the period, this was done on a standard template. Regular updates on the progress of the counselling service were provided to internal committees within the Council and HSCP. In addition reports were provided to Community Services Committee with updates through EMT and highlight reports to the Executive Director. |

16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

[Scottish Government funding has been used effectively to deliver counselling services](#)



17. In July 2019 the Scottish Government provided £12 million funding to local authorities and in March 2020 the initial tranche of funding was supported by £16 million funding in future years. As part of the General Revenue Grant settlement the Council received a total of £1.417m for the provision of delivery of counselling in Schools. One of the key principles for delivery of the counselling service was that the commitment to counselling through schools would be delivered in two phases, with full delivery expected by September 2020. The delivery of counselling service was delayed due to the fact that the Council did not have existing counselling services, therefore the £286k funding in year one was not utilised. The counselling in schools service has been in place since January 2021 with the service opening for referrals in February 2021.
18. During the years 2019 to 2023 the following sums were received by the Council:

| <b>Year</b>    | <b>Grant Provided within Settlement</b> |
|----------------|---|
| <b>2019-20</b> | 286,000.00                              |
| <b>2020-21</b> | 377,000.00                              |
| <b>2021-22</b> | 377,000.00                              |
| <b>2022-23</b> | 377,000.00                              |
| <b>Total</b>   | 1,417,000.00                            |

19. Over 729 young people engaged with the service throughout the funding period December 2022. Whilst we can draw a substantial level of assurance that young people have benefited from the delivery of an effective counselling service based on the outcomes measured against the ten nationally agreed core principles the funding provided by the Scottish Government was not fully utilised and has carried forward an underspend to the new project. Over the term of the funding provided by the Scottish Government there remains an overall projected underspend of £332,969. This will be earmarked to provide a continuing service.
20. The number of young people accessing the services and reported outcome to December 2022 is detailed below:

| <b>Dates</b>         | <b>Total number of children accessing counsellors</b> | <b>Number accessing in-person provision</b> | <b>Number accessing provision virtually</b> | <b>Number of children who have reported an improved outcome</b> |
|----------------------|---|---|---|---|
| January – June 2021  | 176   | 156   | 20  | 48  |
| July – December 2021 | 222   | 115   | 107   | 50  |
| January - June 2022  | 150   | 139   | 11  | 81  |
| July - December 2022 | 181   | 144   | 37  | 123   |
| <b>Total</b>         | <b>729</b>  | <b>554</b>                                  | <b>175</b>                                  | <b>302</b>  |

21. As required by the core principals, the commitment to the provision of counselling through schools should be delivered in partnership with relevant partners to develop a model of counselling through schools that would complement existing services, build capacity to meet identified needs, enhance approaches to early intervention and improve outcomes for children and young people. Discussions were held between Education and the HSCP and following due consideration being given to various options, it was agreed that using the allocated funding, counsellors would be employed by the NHS to create a counselling service located within the

CAMHS (Child and Adolescent Mental Health Services) team. A proportion of the funding was used to support core services to support the development and delivery of counselling in schools. There is no supporting documentation to demonstrate that alternative options had been considered for the delivery of the counselling service and we were unable to obtain any minutes of meetings or discussions between Education, HSCP and the NHS.

#### Action Plan 1

22. The counselling service sits within health services under a Child Health Manager and is led by the Counselling Team Lead. The full team comprises of 9 British Association of Counselling and Psychotherapy (BACP) qualified counsellors, an administrative assistant and support from a Research Assistant and the wider Educational Psychology Service (EPS) team. The School Counsellor posts provided a full time equivalent of 8.5 FTE. Additional funding from the Council's COVID recovery funding was directed to employing a further 2 School Counsellors on fixed term contracts.
23. Although a Service Level Agreement is not required when transferring money for services between Education and the HSCP we could not find any evidence of a service specification or agreement between Education and the HSCP on how the service would be delivered or monitored.

#### Action Plan 2

#### Counselling services have been delivered against the set of ten nationally agreed core principles

24. Counselling services have been delivered against the ten nationally agreed core principles. The commitment to the provision of counselling was delivered in partnership between relevant partners, the HSCP. It is clear that there was a multi-agency partnership commitment to deliver counselling in schools. Papers to Community Services are clear on the multi-agency approach and the A&B Counselling Guidance displays the NHS and HSCP logo on the front cover. In addition there were regular meetings between HSCP and Education and to ensure effective liaison the Research Assistant attended counselling team meetings, including regular discussions with the HSCP team lead and Child Health Manager.
25. The provision of counselling was part of a holistic [child centred] approach to improving the mental health and wellbeing of children and young people. The holistic approach used within the Council is the Child Centred Learning (GIRFEC). This at the head of all the documentation. Within the Guidance for AB Counselling (Guidance for Schools and Other Professionals) it states: The Counselling Team Leader job description confirms the GIRFEC approach: *"The post holder will work closely with school staff and partner agencies to ensure a clear and coordinated approach to supporting children and young people in line with Getting it right for every child (GIRFEC) principles"*.
26. Counselling services were delivered within the agreed definition of counselling by qualified counsellors registered with an appropriate registration body. The British Association for Counselling and Psychotherapy (BACP) define school based counselling as: *'a professional activity delivered by qualified practitioners in schools'*. The job description for the Counsellors confirms the requirement: *"Relevant Counselling qualification at Diploma level or above"* and

*“Membership of BACP or other relevant professional body or working towards membership of BACP or other relevant professional body”.*

27. All documentation and website information confirm that counselling services were available to secondary school pupils, primary, and special schools in communities for pupils aged 10 and over. There was availability of counselling services during school holidays, to ensure continued support to vulnerable young people.
28. Robust assessment processes were in place and young people were supported to access alternative services where appropriate. The assessment process also included onward referrals to other professional services if required.
29. One of the core principals was that the provision of counselling through schools should align to, and/or enhance the local services to support the mental health and wellbeing of children and young people. Counsellors undertook Seasons for Growth training to enhance partnerships around bereavement for children and young people. The service worked closely with schools and provided an accessible service to support young people and their mental health. The service formed part of a continuum of support ranging from nurturing and trauma-informed approaches at a universal level to more targeted nurture interventions, engagement with educational psychologists, and referral to primary mental health workers and child and adolescent mental health services.
30. Given the rural nature of Argyll the core principal to ensure that counselling services were accessible, utilised technology, or virtual approaches and non-educational settings was an essential aspect for the delivery of the service. Within the staff induction handbook it clearly states the school had a responsibility to support with IT where counselling was online. On the self-referral form there is no option to select how the young person would prefer to be contacted, although an email address is requested. However, during the initial contact with the young person they were asked how they would like to communicate with the counselling service.
31. A core principal was to ensure that local policies and procedures in relation to child protection and information sharing should be followed. The requirements of the registering body, for example in terms of professional conduct and supervision should also be followed. All counsellors had regular internal and external supervision to meet the relevant requirements of their registering body. Internal supervision was provided by the team leader, and all counsellors identified a suitable external supervisor to fulfil the monthly external supervision requirements. The team leader also received external supervision as well as support from a child health manager. Links to child protection training are contained within core documents

#### Outcomes are measured and reported

32. The impact of counselling is assessed using the Strengths and Difficulties Questionnaire (SDQ) and the Young Persons CORE 10 (YP-CORE 10) which are both assessment tools used to evaluate progress.
33. The outcomes set were in line with the Scottish Governments Core Principles and reporting requirements. Councils were required to submit regular reports on a six monthly basis to the Scottish Government detailing outcomes over the period, this was done on a standard template.

The data provided informed on numbers accessing the counselling service as well as the outcomes for children and young people.

34. Regular updates on the progress of the counselling service were provided to internal committees within the Council and HSCP. In addition reports were provided to Community Services Committee with updates through EMT and highlight reports to the Executive Director.

## Appendix 1 – Action Plan

|     | No | Finding   | Risk   | Agreed Action   | Responsibility / Due Date                              |
|-----|----|---|--|---|--|
| Low | 1  | <p><b>Decision Making Processes</b></p> <p>The Council did not have a Counselling service in schools and therefore had to decide how best to deliver this service making the most efficient use of the funding received from the Scottish Government. There is no supporting documentation to demonstrate a process was followed to consider the various options for the delivery of counselling service.</p> | Lack of transparency in the decision making process  | Clear procedures for decision making will be documented for future procurement of services. This has already been evidenced through the tendering process for the new Counselling in Schools service. | Principal Educational Psychologist<br><br>30 June 2023 |
| Low | 2  | <p><b>Service Specification</b></p> <p>Although a Service Level Agreement is not required when transferring money for services between Education and the HSCP we could not find any evidence of any service specification or agreement between Education and the HSCP on how the service would be monitored and delivered.</p>  | Services delivered may not align with Scottish Government core principles or within Council's expectations | Written agreement will be required for any services commissioned by Education including monitoring and delivery.  | Principal Educational Psychologist<br><br>30 June 2023 |

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   |
|---------------|--|
| <b>High</b>   | 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.  |
| <b>Medium</b> | 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. |
| <b>Low</b>    | 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.  |
| <b>VFM</b>    | 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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

May 2023

FINAL

# Equality and Socio-Economic Impact Assessment

Audit Opinion: Substantial

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 1      | 4   | 0   |

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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 Equality and Socio-Economic Impact Assessment.
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. The Equality Act (2010) requires the council to:
  - Eliminate discrimination, harassment and victimisation
  - Advance equality of opportunity between people who share a protected characteristic and those who do not
  - Foster good relations between people who share a protected characteristic
5. The Equality Act (2010) Part 2 focuses on people with 'protected characteristics'. These are:
  - Race
  - Disability
  - Sex
  - Age
  - Sexual orientation
  - Religion and belief
  - Gender reassignment
  - Marriage and civil partnership
  - Pregnancy and maternity

The Fairer Scotland Duty, Part 1 of the Equality Act 2010, came into force in April 2018. The duty places a legal responsibility on particular public bodies in Scotland to pay due regard to (actively consider) how they can reduce inequalities of outcome, caused by socio-economic disadvantage, when making strategic decisions. Bodies are required to publish a written assessment showing how they have done this.

6. The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 (and later changes to the regulations) are designed to help public sector organisations meet the requirements of the Equality Act (2010). The regulations set out what we need to do to meet our Public Sector Equality Duty:
  - Report on mainstreaming equality
  - Publish equality outcomes and report on progress
  - Assess and review policies and practices
  - Gather, use and publish employee information
  - Publish gender pay gap information
  - Publish statements on equal pay
  - Consider award criteria and contract conditions in relation to public procurement.
7. In addition, we have a duty, which is set out in the Islands (Scotland) Act (2018), to consider the impact of proposals on island communities.
8. The Council has carried out Equality Impact Assessments for a number of years. Equality and Diversity Impacts were first developed and approved in the 2000s. These were subsequently updated in light of the Equality Act (2010) and an updated EqIA was approved by council in December 2012.
9. In light of changes to the Equality legislation, the enactment of Part 1 and the Fairer Scotland Duty and the introduction of the Islands (Scotland) Act, the EqIA process was reviewed and updated, in 2018. This review has resulted in the Equality and Socio-Economic Impact Assessment (EqSEIA) process.
10. The Equality and Socio-Economic Impact Assessment guidance sets out the council's Equality and Socio-Economic Impact Assessment (EqSEIA) process, why we have one, and how it is used. The guidance is designed mainly for officers who are required to complete an EqSEIA but may also be of use to anyone else who has a role to play or an interest in the EqSEIA process or equalities, more generally. The EqSEIA process enables the council to demonstrate that it delivers on its obligations to pay due regard to issues relating to equalities and incorporates consideration of island communities within the wider impact assessment process.
11. Within the Council, EqSEIAs must be carried out for the following things:
  - Policy: new or reviewed
  - Strategy: examples of when an EqSEIA is required include:
    - Preparation of the Local Development Plan
    - City deals or other major investment plans
    - Development of new strategic frameworks
    - Development of significant new policies or proposals
    - Preparation of an annual budget
    - Major procurement exercises
    - Decisions about the shape, size and location of the estate
    - Preparing a Local Outcomes Improvement Plan as part of a CPP
    - Preparing locality plans

## Preparation of a Corporate Plan Commissioning of service

- Changes to service design and the way services are delivered

### Scope

12. The scope of the audit was to assess compliance with legislation and guidance as outlined in the Terms of Reference agreed with the Head of Customer Support Services on 7 February 2023.

### Risks

13. The risks considered throughout the audit were:
  - Audit Risk 1: Policies and procedures are not in place
  - Audit Risk 2: Failure to comply with the requirements of legislation and regulation
  - Audit Risk 3: Failure to gather, prepare and publish information

### Audit Opinion

14. 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.
15. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that 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.

### Recommendations

16. We have highlighted one medium priority and four low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - Managers have a duty to complete EqSEIAs under the Act and should be reminded of their statutory responsibilities to complete EqSEIAs with consideration being given to providing managers with an EqSEIAs toolkit
  - Timeframes for budget setting should assist the EqSEIA process
  - The oversight for completing EqSEIAs and the quality of EqSEIAs should be the responsibility of the DMTs
  - Consideration should be given to providing further training/information sessions to managers
  - Reporting requirements should be adhered to
17. 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

18. 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

|   | <b>Control Objective</b>  | <b>Link to Risk</b> | <b>Assessment</b> | <b>Summary Conclusion</b>  |
|---|---|---------------------|-------------------|--|
| 1 | Equality and Socio-Economic Impact Assessment processes are in place which reflect current legislative and regulatory requirements                                    | Audit Risk 1        | Substantial       | Equality and Socio-Economic Impact Assessment processes are in place which reflect current legislative and regulatory requirements. The Council have published guidance for staff entitled 'Argyll and Bute Equality and Socio-Economic Impact Assessment (2020) Guidance'. This guidance sets out the council's Equality and Socio-Economic Impact Assessment (EqSEIA) process, why we have one, and how it is used. The guidance is designed mainly for officers who are required to complete an EqSEIA but may also be of use to anyone else who has a role to play or an interest in the EqSEIA process or equalities, more generally. |
| 2 | Services are undertaking Impact Assessments in line with agreed processes and guidance, enabling the Council to have due regard to any impacts when making decisions. | Audit Risk 2        | Reasonable        | EqSEIAs are being undertaken, however, there are inconsistencies in practice across the Council. We reviewed papers submitted to Committees for decision and the budget pack, specifically looking to ensure that when required the EqSEIAs had been completed. The review of papers submitted indicate that a number of EqSEIAs had been missed by the responsible service.   |
| 3 | Reports are prepared and the requirement to gather and publish information on equality is adhered to  | Audit Risk 3        | Substantial       | The Council is required to publish, at intervals of not more than two years, a report on the progress it has made to make the general equality duty integral to the exercise of its functions. The Council have published and made available on the Council's website the 'Equalities Mainstreaming Report and Equality Outcomes' every two years since 2013, the most recent report in 2021. The 2023 Report is in draft form waiting to be approved. The specific duties require the Council to publish a set of equality outcomes, which it considers will enable the Council to better perform the general equality                    |

|  |  |  |  |   |
|--|--|--|--|---|
|  |  |  |  | duty. It must publish a fresh set of equality outcomes within four years of publishing its previous set. The Council have agreed and published equality outcomes (2019-2023). |
|--|--|--|--|---|

19. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

[Equality and Socio-Economic Impact Assessment processes are in place which reflect current legislative and regulatory requirements](#)

20. Equality and Socio-Economic Impact Assessment processes are in place which reflect current legislative and regulatory requirements. The Council have published guidance for staff entitled 'Argyll and Bute Equality and Socio-Economic Impact Assessment (2020) Guidance'. This guidance sets out the council's Equality and Socio-Economic Impact Assessment (EqSEIA) process, why we have one, and how it is used. The guidance is designed mainly for officers who are required to complete an EqSEIA but may also be of use to anyone else who has a role to play or an interest in the EqSEIA process or equalities, more generally. The guidance outlines roles and responsibilities for the EqSEIA process. In addition standard templates in the form of 'blank forms' are available for officers to complete.
21. The public sector equality duty requires equality to be considered in all the functions of public authorities, including decision-making, in the design of internal and external policies and in the delivery of services, and for these issues to be kept under review. Within the Act there are General Duties and Specific Duties outlined. There are numerous guides and documents to assist Local Authorities fulfil their duties. We reviewed key documents of the Council to establish whether equality is considered in functions the Council undertake and found that equality is embedded throughout the core strategies. Within the Council's Corporate Plan 2018-2022 it states: to support the delivery of priorities services will: "Ensuring equality of opportunity for all and contributing to a sustainable future."
22. EqSEIA guidance and documentation is available to staff on the Council's intranet site the HUB. When the EqSEIA process was implemented a newsflash was sent to all staff to direct them to the updated guidance.
23. The Equality and Diversity Policy outlines the Council's commitment to encouraging equality and diversity among our workforce, and eliminating unlawful discrimination. It provides links to other key documents of the Council.
24. An Equality Forum has been brought together with membership drawn from across the council services, the HSCP, Police Scotland and Argyll & Bute Third Sector Interface. The forum generally meets quarterly and the purposes of the group are:
- To consider equality issues and their impacts on service users in Argyll and Bute;
  - To raise equality issues that affect staff and their employment.

Reporting arrangements for the forum include:

- Information on the progress of the forum and its activities are reported periodically by the chair to the Strategic Management Team (SMT);
- specific issues reported or forwarded to the HR Board and / or SMT as appropriate.

Services are undertaking Impact Assessments in line with agreed processes and guidance, enabling the Council to have due regard to any impacts when making decisions.

25. Managers have a duty under the act to complete EqSEIAs and whilst EqSEIAs are being undertaken by Services there are inconsistencies in practice across the Council both in terms of the completion of EqSEIAs and the quality of completion. We reviewed papers submitted to Committees for decision and the budget pack, specifically looking to ensure that when required by the Act the EqSEIAs had been completed. The review of papers submitted indicate that a number of EqSEIAs had been missed by the services. It was noted that other Council's provide online EqSEIA toolkits for managers to assist them with the process of completing these.

**Action Plan 1**

26. EqSEIAs should be considered and completed ahead of the budget setting process. Timeframes for the budget setting process and the requirements to complete EqSEIAs are currently out of alignment, potentially leaving restricted timeframes to complete the EqSEIAs.

**Action Plan 2**

27. Where managers are not completing EqSEIAs for the budget setting process, Elected Members have to make decisions about service delivery when they are not informed of the impacts that the budget savings will have on this in certain services. There is no oversight centrally to ensure that budget papers, policy documents or strategy changes have an EqSEIA attached. Reliance is placed on services completing and submitting EqSEIAs.

**Action Plan 3**

28. EqSEIA guidance was issued to employees via a newsflash and presentations were made to managers, including a presentation on EqSEIA and for budget setting savings.

**Action Plan 4**

Reports are prepared and the requirement to gather and publish information on equality is adhered to

29. The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 (and later changes to the regulations) are designed to help public sector organisations meet the requirements of the Equality Act (2010). The regulations set out what we need to do to meet our Public Sector Equality Duty to report on mainstreaming equality, publish equality outcomes and report on progress. The Council is required to publish, at intervals of not more than two years, a report on the progress it has made to make the general equality duty integral to the exercise of its functions. The Council have published and made available on the Council's website the 'Equalities Mainstreaming Report and Equality Outcomes' every two years since 2013, the most recent report in 2021. The report for 2023 will be presented to Policy and Resources Committee



in May 2023 and was made available in draft on the Council Website by the deadline of 30<sup>th</sup> April 2023.

30. The specific duties require the Council to publish a set of equality outcomes, which it considers will enable the Council to better perform the general equality duty. It must publish a fresh set of equality outcomes within four years of publishing its previous set. The Council have agreed and published four equality outcomes (2019-2023), focussing on:

- Workforce
- Engagement
- Services
- Education

31. The Fairer Scotland Duty, Part 1 of the Equality Act 2010 places a legal responsibility on the Council to pay due regard to how they can reduce inequalities of outcome, caused by socio-economic disadvantage, when making strategic decisions. We are required to publish a written assessment showing how we have done this. Where do not we make an explicit statement around the Fairer Scotland Duty, we do include it in the Equality and Socio-Economic Impact Assessments. In addition, the Council are also required to report annually information about the islands communities' impact assessments that have been completed. This has not been completed in the last reporting year.

**Action Plan 5**

## Appendix 1 – Action Plan

|        | No | Finding  | Risk   | Agreed Action   | Responsibility / Due Date   |
|--------|----|--|--|---|---|
| Medium | 1  | <p><b>EqSEIA</b></p> <p>EqSEIAs are being undertaken, however, there are inconsistencies in practice across the Council. A review of papers submitted to committee and papers as part of the budget setting process indicate that a number of EqSEIAs had been missed. It was noted that other Councils provide online EqSEIA toolkits for managers to assist them with the process of completing these.</p> | Failure to meet our legislative requirements           | Present options for online EqSEIA toolkit to ELT  | <p>Head of Customer Support Services</p> <p>30 June 2024</p>      |
| Low    | 2  | <p><b>Timing</b></p> <p>Timeframes for the budget setting process and the requirements to complete EqSEIAs are currently out of alignment, potentially leaving restricted timeframes to complete the EqSEIAs.</p>  | Timeframes may not align with legislative requirements | Budget approach ensures that there is sufficient time to carry out EQSEIAs on savings proposals | <p>Head of Financial Services</p> <p>31 December 2023</p>         |
| Low    | 3  | <p><b>Overview of EqSEIA</b></p> <p>There is no oversight at a central level to ensure that budget papers, policy documents or strategy changes or any other documents that an EqSEIA is attached where required.</p>  | Failure to meet our legal requirements                 | Proposal brought to DMTs/SMT on options for an oversight process.                               | <p>Head of Customer Support Services</p> <p>30 September 2023</p> |
| Low    | 4  | <p><b>Training</b></p> <p>EqSEIA guidance was issued to employees via a newsflash and presentations were made to managers, including a presentation on EqSEIA and for budget setting savings.</p>  | Inconsistencies in practice                            | Webinars and presentations on EqSEIAs will be run at key times in the year                      | <p>HROD Manager</p> <p>31 December 2023</p>                       |

|     |   |  |  |   |   |
|-----|---|--|--|---|---|
| low | 5 | <p><b>Reporting</b></p> <p>The Fairer Scotland Duty, Part 1 of the Equality Act 2010 places a legal responsibility on the Council to pay due regard to how they can reduce inequalities of outcome, caused by socio-economic disadvantage, when making strategic decisions. We are required to publish a written assessment showing how we have done this. In addition, the Council are also required to report annually information about the islands communities' impact assessments that have been completed. This has not been completed in the last reporting year.</p> | Failure to meet our reporting requirements | A reporting timetable will be developed and implemented to ensure all required assessments and reports are completed. | <p>Head of Customer Support Services</p> <p>Date: 30 September 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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  
May 2023  
FINAL

# Payroll Processes

Audit Opinion: Reasonable

|                    | High | Medium | Low | VFM |
|--------------------|------|--------|-----|-----|
| Number of Findings | 0    | 5      | 0   | 0   |

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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 Payroll Processes.
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. Payroll costs form a significant part of the Council's expenditure and it is therefore important to have robust and effective controls in place to ensure that only valid employees are paid at the correct and authorised rate and to ensure that calculations of all payments and deductions are correct and in accordance with any relevant legislation and regulations.
5. A Business Process Reengineering Project (BPR) commenced in 2020 to look at the activities undertaken by Payroll and to consider where the team best sat within the structure of the Council. The responsibility for payroll services transferred from Human Resources (HR) to Financial Services in January 2022.
6. The Payroll and Pensions section is responsible for ensuring that wages are paid on time, at the correct rate. During the last financial year expenditure on payroll costs amounted to over £163m with the payroll department processing payments for around 4,600 employees plus LiveArgyll staff and staff from a couple of small organisations.
7. In order to ensure that staff receive their pay on time at the correct rate Payroll and Pension staff rely on the procedures and process in place within HR and the process between HR and Payroll.
8. As part of the continuous monitoring programme, Payroll processes are subject to review on a regular basis. We will place reliance on any transactional areas that are reviewed as part of this programme.

### Scope

9. The scope of the audit was to review the processes and procedures in place between HR and payroll to ensure that employee information is updated in a timely manner as outlined in the Terms of Reference agreed with the Finance Manager – Departmental support on 6 April 2022.

## Risks

10. The risks considered throughout the audit were:
  - Audit Risk 1: failure to have robust processes and procedures in place
  - Audit Risk 2: ineffective communication between HR and the Payroll and Pensions team
  - Audit Risk 3: failure to amend payroll records in a timely manner
  - Audit Risk 4: inadequate control frameworks within the payroll system

## 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 2 to this report.
12. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that 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.

## Recommendations

13. We have highlighted 5 medium priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - Roles and responsibilities for the whole recruitment and payroll process should be clearly outlined on completion of a review of the tasks undertaken by managers, HR&OD and Payroll staff.
  - All recruitment documents and basic employee information should be populated by HR&OD staff with Payroll staff only keying in necessary information to run payroll.
  - The replacement HR and Payroll system must deliver efficiencies in the processes, however, work should commence in advance of the new system to streamline unnecessary repetition of work where there could be alternative and more efficient ways of processing information.
  - Managers should be provided with support on processes relating to HR which impact payroll and a review undertaken of management responsibilities within the services for recruitment process/payroll processes with consideration given as to whether their role in the process is appropriate.
  - A record and/or an action log should be maintained of meeting held between HR&OD and Payroll.
14. 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

15. 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

|   | <b>Control Objective</b>  | <b>Link to Risk</b>          | <b>Assessment</b> | <b>Summary Conclusion</b>   |
|---|---|------------------------------|-------------------|---|
| 1 | There is effective processes, procedures and communication between HR and Payroll to ensure that employee information is updated in a timely manner | Audit Risk 1<br>Audit Risk 2 | Reasonable        | Payroll are dependent on the systems and processes in place which inform them of additions or changes within the payroll system. The efficiency of the whole process is heavily reliant on managers within the services inputting the correct information and uploading all the relevant paperwork in a timely manner. Whilst there are well understood processes and procedures in place for the management of payroll updates, the whole process is hugely inefficient. Each step of the process requires considerable amounts of manual intervention with the same basic information requiring to be keyed in separately by HR&OD and payroll, increasing the risk of error. A combination of the challenges that can be experienced at times, include payroll not being updated in a timely manner. In 2022/2023 there were 1,419 contracts issued, of these 536 of them had one or more errors with 333 received after the employee started in their post. Whilst monthly meetings take place between HR&OD and Payroll there are no notes taken or agreed actions recorded. |
| 2 | All changes to the payroll system, permanent and temporary, are properly authorised, are accurate and completed in a timely manner                  | Audit Risk 3                 | Limited           | Payroll have established timetables which are available on the HUB for staff to view. The number of payroll errors and late submissions to payroll are tracked on a spreadsheet and reported each quarter. The number of late submissions and errors for the year 2022/23 is at an unacceptable level, resulting in delays for payroll staff processing payroll in a timely manner. We were provided with examples where managers failed to submit leaver forms in a timely manner resulting in overpayments. However, not all delays are attributable to late submissions or errors. Payroll deadlines on a monthly basis and processing new starts within Education at the start of term creates peak   |

|   |   |              |             |   |
|---|---|--------------|-------------|---|
|   |   |              |             | pressures requiring payroll staff to priorities workflows.  |
| 3 | There is an adequate control framework in place governing the operation of the payroll system and access to the payroll system is restricted to appropriate staff | Audit Risk 4 | Substantial | Reliance was placed on work undertaken as part of the continuous monitoring process. Staff are restricted from certain areas of the systems and can only access data/areas that fall within their job remit. User lists and access right are reviewed on a monthly basis and are updated as and when Payroll are notified of any leavers. The Resourcelink system automatically suspends users' profiles after a period of inactivity (40 days) and users have to contact system admin to get reinstated to the system. |

16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

*There is effective processes, procedures and communication between HR and Payroll to ensure that employee information is updated in a timely manner*

17. Ensuring employee payroll information is updated in an efficient and timely manner is heavily reliant on the information being passed from the managers to HR&OD then forwarded on to Payroll staff who are at the end of the process. The findings in this audit report therefore relate to the whole process, end to end. The processes in place to ensure that employee information on payroll is updated in a timely manner are highly inefficient and at times in-effective resulting in delays processing employee payroll information. There is no overall workflow outlining the process, highlighting roles and responsibilities between managers within the services, HR&OD and Payroll staff.

#### Action Plan 1

18. Basic essential employee information is keyed by HR&OD staff into CIVICA (employee name and an employee number), then separately into ResourceLink by Payroll staff (the much more detailed information needed to record the employee's personal, post and payroll information). This is inefficient and takes up considerable staff time within Payroll.

#### Action Plan 2

19. There are several systems which contribute to the management of the payroll process. TalentLink is the Council's vacancy management system. Job adverts are placed on MyJobScotland, with MyJobScotland website importing data from Talentlink. ResourceLink is the council's payroll and HR system where all employee information and post information is held. Information on TalentLink is not automatically pulled through to ResourceLink leading to inefficiencies in the process. All documents are stored in CIVICA the Council's document management system.

20. Processes are in place sitting within CIVICA as workflow instructions to assist staff to complete the whole process. Staff generally have these open to ensure that each step is followed, for example if they are putting on a new start on ResourceLink. Assurance has been provided from the continuous monitoring programme where the day-to-day procedures were reviewed.
21. Whilst there are well understood processes and procedures in place for the management of payroll updates, the whole process is hugely inefficient. Each step of the process requires considerable amounts of manual intervention with the same basic information requiring to be keyed in separately by HR&OD and payroll. This increases the likelihood of errors occurring. However, checks are made independently of the person keying the information at each stage of the process to mitigate these risks. A new HR and payroll system is planned for the future to replace the existing systems.

### Action Plan 3

22. Payroll are dependent on the systems and processes in place which inform them of additions or changes within the payroll system. The Argyll & Bute Manager is responsible for maintaining the posts within their establishment list, including notifying HR&OD when an employee starts, transfer post within the Council, leaves a post or there are changes within the post. The efficiency of the whole process is heavily reliant on managers within the services inputting all the correct information and uploading all the relevant paperwork in a timely manner, this includes the successful candidate form (SCF).
23. Following the recruitment process, a successful candidate form is completed by the manager and sent to the HR Service Centre with the relevant appointment details. It is essential that the recruitment details on Talentlink match the details on the SCF, for example the correct post number, working hours, post occupancy type etc. Failure to ensure that all the relevant paperwork is obtained or completed by the manager ultimately results in delays within payroll system leading to an increased number of complaints.
24. In 2022/2023 there were 1,419 contracts issued, of these 536 of them had one or more errors with 333 received after the employee started in their post. The types of errors recorded included missing paperwork, for example references, ID, criminal conviction forms, interview assessment forms and Head Teacher reports. Other recorded errors included incorrect post number or post details not matching the information held on ResourceLink, amendments required to incorrect hours/work patterns and issues with start dates. The table below outlines the number of contracts issued per service and the error rate:

| Service                                  | Contracts issued | No with errors | Received after commencement |
|--|------------------|----------------|-----------------------------|
| CHIEF EXEC PL3 DIRECTORATE               | 1                | 1              | 1                           |
| HEAD OF ADULTS - ACUTE & COMPLEX CARE    | 37               | 13             | 3                           |
| HEAD OF ADULTS - HEALTH & COMMUNITY CARE | 75               | 37             | 18                          |
| HEAD OF CHILDREN, FAMILIES & JUSTICE     | 61               | 32             | 6                           |
| HEAD OF COMMERCIAL SERVICES              | 131              | 43             | 21                          |
| HEAD OF CUSTOMER SUPPORT SERVICES        | 31               | 7              | 3                           |
| HEAD OF DEVELOPMENT & ECONOMIC GROWTH    | 25               | 10             | 2                           |
| HEAD OF EDUCATION                        | 680              | 247            | 221                         |
| HEAD OF FINANCIAL SERVICES               | 27               | 5              | 3                           |

|  |             |            |            |
|--|-------------|------------|------------|
| HEAD OF LEGAL & REGULATORY SUPPORT       | 39          | 9          | 2          |
| HEAD OF ROADS & INFRASTRUCTURE SERVICES  | 110         | 47         | 11         |
| HEAD OF STRATEGIC PLANNING & PERFORMANCE | 4           | 2          | 0          |
| HSCP PL3 DIRECTORATE                     | 2           | 2          | 0          |
| SUBSTITUTE HOS CEU                       | 6           | 4          | 0          |
| UNIT A PL3 DIRECTORATE                   | 10          | 6          | 6          |
| (blank)                                  | 6           | 4          | 2          |
| <b>Grand Total</b>                       | <b>1419</b> | <b>536</b> | <b>333</b> |

**Action Plan 4**

25. All information to assist managers in the recruitment and HR processes is available on the Council's HUB including information on what is required processing a vacancy on TalentLink, user guides and templates and reference documents.
26. Meetings are held between HR&OD and Payroll on a monthly basis to discuss ongoing developments or raise any issues. Although an Agenda of matters to be discussed is available, there are no minutes or notes recorded of these meetings and no subsequent logs/tracking of any agreed actions or details of who the responsible officer is for completing those actions.

**Action Plan 5**

All changes to the payroll system, permanent and temporary, are properly authorised, are accurate and completed in a timely manner.

27. Payroll have established timetables which are available on the HUB for staff to view. The timetable outlines 'cut off' dates when information must be received. It also includes dates for contractual amendments. As there are two payruns per month, there is one timetable for SLGE staff and one for Teachers.
28. The number of payroll errors and late submissions to payroll are tracked on a spreadsheet and reported each quarter. The quarterly reports form part of the report 'Health of the Organisation' report submitted to the Executive Directors. Detailed below highlights a number of issues, including the number of late submissions resulting in payroll not being updated in a timely manner. However, not all delays are attributable to late submissions or errors. Payroll deadlines on a monthly basis and processing new starts within Education at the start of term creates pressure requiring payroll staff to prioritise workflows.

| Payroll Submissions | FQ1 2022/23 | FQ2 2022/23 | FQ3 2022/23 | FQ4 2022/23 |
|---------------------|-------------|-------------|-------------|-------------|
| Submitted           | 952         | 775         | 613         | 517         |
| Late                | 310         | 380         | 327         | 217         |
| Number with Errors  | 134         | 154         | 69          | 33          |
| %age on Time        | 67%         | 51%         | 47%         | 58%         |
| %age Late           | 33%         | 49%         | 53%         | 42%         |
| % with Errors       | 14%         | 20%         | 11%         | 6%          |

29. When an employee leaves a post the line manager must complete the Leaver Request Form and email HR contractual services. Failure to complete the leaver request form and submit within two days of the relevant payroll deadline could result in errors in payment to the employee or overpayment and may incur a £50 charge from payroll for any reworks required. Where an

overpayment is made to an employee as a result of the non-timely submission of a Leaver form, this is passed on to debtors to recover. We were provided of examples where managers failed to submit leaver forms in a timely manner resulting in overpayments.

#### **Action Plan 4**

There is an adequate control framework in place governing the operation of the payroll system and access to the payroll system is restricted to appropriate staff.

30. Staff are restricted from certain areas and can only access data and areas that fall within their job remit. User lists and access right are reviewed on a monthly basis and are updated as and when Payroll are notified of any leavers. The Resourcelink system automatically suspends users' profiles after a period of inactivity (40 days) and users have to contact a system admin to get reinstated to the system.

## Appendix 1 – Action Plan

|        | No | Finding  | Risk  | Agreed Action   | Responsibility / Due Date  |
|--------|----|--|---|---|--|
| Medium | 1  | <p><b>Workflow</b></p> <p>There is no overall workflow outlining the processes from recruitment to payroll, highlighting roles and responsibilities between managers within the services, HR&amp;OD and Payroll staff.</p>   | Roles and responsibilities not clearly understood                     | Prepare a detailed process flow diagram which illustrates the end-to-end process and clearly articulates the roles and responsibilities for each step in the process.   | <p>Finance Manager – Departmental Support and HR Manager – Operations</p> <p>Date: 30 September 2023</p> |
| Medium | 2  | <p><b>Use of Resources</b></p> <p>Basic essential employee information is keyed in by HR&amp;OD staff into CIVICA, then separately into ResourceLink by Payroll staff.</p>   | Inefficient use of resources  | Completing and implementing action point 1 and 2 is expected to improve the overall efficiency of the process and optimise the use of staff time.   | <p>Finance Manager – Departmental Support and HR Manager – Operations</p> <p>Date: 31 December 2023</p>  |
| Medium | 3  | <p><b>Processes</b></p> <p>Whilst there are well understood processes and procedures in place for the management of payroll updates, the whole process is hugely inefficient. A new HR and payroll system is planned for the future to replace the existing systems.</p>   | Inefficiencies in processes   | Using the above process flow completed for action 1, conduct a value chain analysis exercise to identify points of duplication and any other inefficiencies in the current process. Redesign the process to remove the inefficiencies identified to optimise the use of staff and speed the process up. | <p>Payroll and Pension Officer and Team Leader – HR Service Centre</p> <p>Date: 31 December 2023</p>     |
| Medium | 4  | <p><b>Management Responsibilities</b></p> <p>The Argyll &amp; Bute Manager is responsible for maintaining the posts within their establishment list, including notifying HR&amp;OD when an employee starts, transfer post within the Council, leaves a post or there are changes within the post. Reports indicate a high number of errors or omissions of key documentation resulting in delays within payroll.</p> | Significant delays and/or rework within the HR and payroll processes. | Review errors, establish common issues and consult with managers to identify the causes and possible solutions. Develop an improvement plan to address the issues identified with managers to reduce rework and delays.   | <p>Payroll and Pension Officer and Team Leader – HR Service Centre</p> <p>Date: 31 December 2023</p>     |
| Medium | 5  | <p><b>Meetings</b></p> <p>Meetings are held between HR&amp;OD and Payroll on a monthly basis to discuss ongoing developments or raise</p>  | Agreed actions may not be completed                                   | Create Shared space on MS Teams to record/store agendas, minutes and action items. Use MS Planner application on the MS Teams site  | Finance Manager – Departmental Support and Team Leader – HR Service Centre                               |



|  | No | Finding  | Risk | Agreed Action   | Responsibility / Due Date |
|--|----|--|------|---|---------------------------|
|  |    | any issues. Although an Agenda of matters to be discussed is available, there are no minutes or notes recorded of these meetings and no subsequent logs/tracking of any agreed actions or details of who the responsible officer is for completing those actions |      | to record, allocate and track agreed actions.<br>Note: the MS Teams site was created on 06/06/2023. | Date 30 June 2023         |

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   |
|---------------|--|
| <b>High</b>   | 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.  |
| <b>Medium</b> | 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. |
| <b>Low</b>    | 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.  |
| <b>VFM</b>    | 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  |
|---------------------|---|
| <b>High</b>         | 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.            |
| <b>Substantial</b>  | 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.                        |
| <b>Reasonable</b>   | 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.  |
| <b>Limited</b>      | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| <b>No Assurance</b> | Internal control, governance and 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

April 2023

Final

**LiveArgyll**  
**Establishment Visit**  
Lochgilphead Community Centre

Audit Opinion: **Green**

**Contact Details**

Internal Auditor: **Leanne Rennie**  
Telephone: **01369 708516**  
e-mail: **leanne.rennie@argyll-bute.gov.uk**



## 1. Executive Summary

### Introduction

1. As part of the 2023/24 internal audit plan agreed with LiveArgyll management, we undertake establishment visits at LiveArgyll sites. LiveArgyll operate 26 establishments and we have agreed that 22 of these will be subject to establishment visits over a cyclical basis. Appendix 1 sets out the schedule. Establishment visits focus on the areas set out in exhibit 1 and we have agreed checklists for each area with LiveArgyll management.

#### Exhibit 1 – Establishment Visits Areas of Focus

|                              |               |                     |                                      |
|------------------------------|---------------|---------------------|--------------------------------------|
| Building Exterior            | Floors        | Environment         | Baby Changing Units                  |
| Doors                        | Public Spaces | Signage             | Income Collection / Facility Booking |
| Ceilings                     | Windows       | Fixtures & Fittings | Floats                               |
| Walls                        | Elevators     | Toilets             | Banking                              |
| Swimming Pool / Health Suite | Library       | Sports Hall / Gym   | Staff                                |

2. The audit tests are predominantly observational so any issues highlighted are based on what was witnessed on the visit day. Due to the limiting nature of this as audit evidence we do not include recommendations in this report. Rather it provides an overview of issues identified allowing the LiveArgyll management team to determine whether any corrective action is required.
3. To ensure consistency of approach, the issues raised do not take account of any planned structural work in the short to medium term. For example, if we identify superficial structural damage we will still report it even if we are aware the establishment is due to be refurbished.

### Background

4. On Wednesday 12<sup>th</sup> April 2023 we visited the Lochgilphead Community Centre. The scope of the audit was to assess the site against the audit questions agreed with LiveArgyll.


### Audit Opinion

5. We provide an overall audit opinion for all the establishment visits we conduct. This is based on our judgement on the extent to which there are issues requiring corrective action and how critical they are. We assess establishment visits as either:
  - **Red – Intervention is required to correct material areas of concern**
  - **Amber – Issues identified can be managed through a programme of works**
  - **Green – Issues identified are relatively minor**
6. Our overall opinion for this establishment visit is **Green**. This means that we have not identified any issues which we consider to be material or requiring short to medium term attention.

### Findings

7. Exhibit 2 summarises the conclusions of the work and any observations made on the day of the visit.

## Exhibit 2 – Summary Assessment of Control Objectives

|    | Area                            | Strengths   | Areas for Consideration  |
|----|---------------------------------|---|--|
| 1  | Building Exterior               | On approach the building conveys the appropriate corporate image.   | None   |
| 2  | Doors                           | The main entrance doors open freely.  | None   |
| 3  | Ceilings                        | Ceilings are in good condition with no cracks or water damage.  | There are historical water marks in two different rooms within the Centre, however, the public do not access these rooms.  |
| 4  | Walls                           | The walls are clean and dirt free, however, being an older building there are plenty of marks from historic water damage, scuffs, cracks and chipped plaster. | None   |
| 5  | Floors & Public Spaces          | Floors are clean however the surface in the main reception area is damaged.   | The floor as you enter the main reception is damaged –<br><br><br>Control Objective 5.pdf |
| 6  | Windows                         | Windows are clean and tidy with no visible cracks or damaged frames.<br>No posters are on the windows.  | Most of the windows open and close freely with the exception of ones in the archive room which were painted and left to dry when closed.                                     |
| 7  | Elevators                       | There are no elevators in the building.   | None   |
| 8  | Environment                     | There is adequate lighting and ventilation and noise levels are acceptable. All lights are in good working order and bins are emptied several times a day.    | None   |
| 9  | Signage                         | There is both external and internal LiveArgyll signage as you come in main door.  | There are no opening hours displayed.  |
| 10 | Noticeboards & Leaflets         | There is adequate and up to date noticeboards.  | None   |
| 11 | Furniture, Fittings & Equipment | All furniture and fittings are in good clean order and not in a hazardous position. All sockets are in good working order.                                    | None   |
| 12 | Toilets                         | All toilets are clean and tidy.   | None   |
| 13 | Baby Changing Units             | The baby changing unit is in good clean condition.  | None   |
| 14 | Swimming Pool                   | N/A   | N/A  |
| 15 | Sports Hall, Gym and Studios    | There is one room within the Centre that is now a gym room, this is relatively new and all equipment, flooring etc is clean, dust and damage free.            | None   |
| 16 | Libraries                       | The Library moved into the Centre early in 2023.<br>All books are kept in good order on the shelves and which are clean and tidy. There                       | None   |

|    | Area                  | Strengths  | Areas for Consideration |
|----|-----------------------|--|-------------------------|
|    |                       | is no discarded stock inappropriately disposed of. The public access computers are all in working order. |                         |
| 17 | Income Collection     | There are no vending machines or pay phones within the Centre.   | None                    |
| 18 | Booking of Facilities | Booking of rooms is processed appropriately.   | None                    |
| 19 | Floats                | The Centre has no float.   | None                    |
| 20 | Banking               | Banking is performed on a monthly basis by the Senior Duty Officer via a night safe.                     | None                    |

### Management Response

*Management duly note the favourable opinion and individuals findings contained within these reports. Where action is required management will ensure appropriate timely intervention / escalation protocols implemented. i.e building repair issues reported to Council via agreed Building maintenance protocol.*

### Appendix 1 – Establishment Visit Schedule 2023/24

|                                      | 2022/23 | 2023/24 | Complete |
|--------------------------------------|---------|---------|----------|
| <b>Leisure</b>                       |         |         |          |
| Aqualibrium                          | √       |         | √        |
| Helensburgh Pool                     |         |         | √        |
| Riverside Leisure Centre             |         |         | √        |
| Rothesay Leisure Pool                |         |         | √        |
| Mid Argyll Sports Centre             |         | √       | √        |
| <b>Libraries</b>                     |         |         |          |
| Campbeltown                          | √       |         | √        |
| Dunoon                               |         |         | √        |
| Helensburgh                          |         |         | √        |
| Lochgilphead                         |         |         | √        |
| Oban                                 | √       |         | √        |
| Rosneath                             |         |         | √        |
| Rothesay                             |         |         | √        |
| <b>Halls &amp; Community Centres</b> |         |         |          |
| Queens Hall, Dunoon                  |         |         | √        |
| <b>Victoria Hall, Campbeltown</b>    |         |         |          |



|                                    |   |   |   |
|------------------------------------|---|---|---|
| Victoria Halls, Helensburgh        |   |   | √ |
| Corran Halls, Oban                 | √ |   | √ |
| Kintyre Community Education Centre |   |   |   |
| Lochgilphead Community Centre      |   | √ | √ |
| Moat Centre, Rothesay              |   |   | √ |

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Argyll and Bute Council

Internal Audit Report

April 2023

Final

**LiveArgyll**  
**Establishment Visit**  
Mid Argyll Sports Centre

Audit Opinion: **Green**

**Contact Details**

Internal Auditor: **Leanne Rennie**

Telephone: **01369 708516**

e-mail: **leanne.rennie@argyll-bute.gov.uk**



## 1. Executive Summary

### Introduction

1. As part of the 2023/24 internal audit plan agreed with LiveArgyll management, we undertake establishment visits at LiveArgyll sites. LiveArgyll operate 26 establishments and we have agreed that 22 of these will be subject to establishment visits over a cyclical basis. Appendix 1 sets out the schedule. Establishment visits focus on the areas set out in exhibit 1 and we have agreed checklists for each area with LiveArgyll management.

#### Exhibit 1 – Establishment Visits Areas of Focus

|                              |               |                     |                                      |
|------------------------------|---------------|---------------------|--------------------------------------|
| Building Exterior            | Floors        | Environment         | Baby Changing Units                  |
| Doors                        | Public Spaces | Signage             | Income Collection / Facility Booking |
| Ceilings                     | Windows       | Fixtures & Fittings | Floats                               |
| Walls                        | Elevators     | Toilets             | Banking                              |
| Swimming Pool / Health Suite | Library       | Sports Hall / Gym   | Staff                                |

2. The audit tests are predominantly observational so any issues highlighted are based on what was witnessed on the visit day. Due to the limiting nature of this as audit evidence we do not include recommendations in this report. Rather it provides an overview of issues identified allowing the LiveArgyll management team to determine whether any corrective action is required.
3. To ensure consistency of approach, the issues raised do not take account of any planned structural work in the short to medium term. For example, if we identify superficial structural damage we will still report it even if we are aware the establishment is due to be refurbished.

### Background

4. On Wednesday 12<sup>th</sup> April 2023 we visited the Mid Argyll Sports Centre. The scope of the audit was to assess the site against the audit questions agreed with LiveArgyll.

### Audit Opinion

5. We provide an overall audit opinion for all the establishment visits we conduct. This is based on our judgement on the extent to which there are issues requiring corrective action and how critical they are. We assess establishment visits as either:
  - **Red – Intervention is required to correct material areas of concern**
  - **Amber – Issues identified can be managed through a programme of works**
  - **Green – Issues identified are relatively minor**
6. Our overall opinion for this establishment visit is **Green**. This means that we have not identified any issues which we consider to be material or requiring short to medium term attention.

### Findings

7. Exhibit 2 summarises the conclusions of the work and any observations made on the day of the visit.

## Exhibit 2 – Summary Assessment of Control Objectives

|    | Area                            | Strengths   | Areas for Consideration  |
|----|---------------------------------|---|--|
| 1  | Building Exterior               | On approach the building conveys the appropriate corporate image.   | None   |
| 2  | Doors                           | The main entrance doors open freely.  | None   |
| 3  | Ceilings                        | Ceilings are in good condition with no cracks or water damage.  | None   |
| 4  | Walls                           | The walls are all clean and dirt free without scuffs etc, with the exception of the squash court which has ball marks on all walls. Skirting is secure.   | The walls are maintained by MITIE (Management Incentive Through Investment Equity), the facilities management services, who paint the walls approximately every 2 years. |
| 5  | Floors & Public Spaces          | Floors and public spaces are clean and tidy throughout.   | There is superficial marking on the squash court floor from a historical roof leak.  |
| 6  | Windows                         | There are no windows in public spaces except for 2 rooms, these windows are 6 feet high. Windows are clean and tidy with no visible cracks or damaged frames. No posters are on the windows.  | None   |
| 7  | Elevators                       | There are no elevators in the building.   | None   |
| 8  | Environment                     | There is adequate lighting and ventilation and noise levels are acceptable. All lights are in good working order and the bins are emptied regularly.  | None   |
| 9  | Signage                         | The LiveArgyll sign is situated at the bottom of the road to enter the school. There is LA signage in between both external and internal doors.<br>No opening hours are stipulated as they are so varied.<br>There is appropriate signage throughout the sports centre. | None   |
| 10 | Noticeboards & Leaflets         | Internal signage all in place.  | None   |
| 11 | Furniture, Fittings & Equipment | Within the sports centre, the rooms are all gym/sports halls etc so there is no furniture as such.<br>All equipment appears to be in good working order.  | None   |
| 12 | Toilets                         | All toilets are clean and tidy with no breakages visible and are stocked appropriately.<br>All are maintained to a high standard.   | None   |
| 13 | Baby Changing Units             | There is no baby changing units within the sports centre.   | None   |
| 14 | Swimming Pool                   | There is no swimming pool within the sports centre.   | None   |

|    | Area                         | Strengths  | Areas for Consideration |
|----|------------------------------|--|-------------------------|
| 15 | Sports Hall, Gym and Studios | All rooms are clean and tidy, adequately lit and well equipped. All machines appear to be in good working order. | None                    |
| 16 | Libraries                    | N/A  | N/A                     |
| 17 | Income Collection            | There are no vending machines/pay phones.  | None                    |
| 18 | Booking of Facilities        | Booking of rooms is processed appropriately.   | None                    |
| 19 | Floats                       | Floats are checked on a daily basis by the Senior Duty Officer.  | None                    |
| 20 | Banking                      | Banking is performed on a regular basis by the Senior Duty Officer via a night safe at the Bank.                 | None                    |

### Management Response

*Management duly note the favourable opinion and individuals findings contained within these reports. Where action is required management will ensure appropriate timely intervention / escalation protocols implemented. i.e building repair issues reported to Council via agreed Building maintenance protocol.*

### Appendix 1 – Establishment Visit Schedule 2023/24

|                                      | 2022/23 | 2023/24 | Complete |
|--------------------------------------|---------|---------|----------|
| <b>Leisure</b>                       |         |         |          |
| Aqualibrium                          | √       |         | √        |
| Helensburgh Pool                     |         |         | √        |
| Riverside Leisure Centre             |         |         | √        |
| Rothesay Leisure Pool                |         |         | √        |
| Mid Argyll Sports Centre             |         | √       | √        |
| <b>Libraries</b>                     |         |         |          |
| Campbeltown                          | √       |         | √        |
| Dunoon                               |         |         | √        |
| Helensburgh                          |         |         | √        |
| Lochgilphead                         |         |         | √        |
| Oban                                 | √       |         | √        |
| Rosneath                             |         |         | √        |
| Rothesay                             |         |         | √        |
| <b>Halls &amp; Community Centres</b> |         |         |          |
| Queens Hall, Dunoon                  |         |         | √        |

|                                    |   |   |   |
|------------------------------------|---|---|---|
| Victoria Hall, Campbeltown         |   |   |   |
| Victoria Halls, Helensburgh        |   |   | √ |
| Corran Halls, Oban                 | √ |   | √ |
| Kintyre Community Education Centre |   |   |   |
| Lochgilphead Community Centre      |   | √ | √ |
| Moat Centre, Rothesay              |   |   | √ |

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****20 June 2023**

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**INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2022-23**

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**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 on SharePoint and, on a quarterly basis, follow them up to ensure they are being progressed.
- 1.2 This report updates the committee on all open actions as at 31 March 2023 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 March 2023.
- 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 March 2023

| Service   | Complete  | Delay & Reschedule | Evidence Required | No Response | Total     |
|---|-----------|--------------------|-------------------|-------------|-----------|
| <b>INTERNAL AUDIT</b>   |           |                    |                   |             |           |
| CE – Financial Services   | 3         | 2                  | 0                 | 0           | 5         |
| DH – Commercial Services  | 1         | 0                  | 0                 | 0           | 1         |
| DH – Legal & Regulatory   | 0         | 3                  | 0                 | 0           | 3         |
| KF – Customer Support Services  | 1         | 0                  | 0                 | 0           | 1         |
| KF – Development & Economic Growth  | 1         | 1                  | 0                 | 0           | 2         |
| KF – Roads & Infrastructure Services  | 2         | 0                  | 1                 | 0           | 3         |
| H&SCP (IJB) – Adult Services (Older Adults & Community Hospitals)                                 | 0         | 3                  | 0                 | 0           | 3         |
| H&SCP (IJB) – Strategic Planning & Performance  | 2         | 1                  | 0                 | 0           | 3         |
| H&SCP (SW) – Adult Services (Mental Health Learning Disability, Addictions & Lifelong Conditions) | 3         | 4                  | 0                 | 0           | 7         |
| LiveArgyll  | 1         | 0                  | 0                 | 0           | 1         |
| <b>EXTERNAL AUDIT</b>   |           |                    |                   |             |           |
| Nil   | 0         | 0                  | 0                 | 0           | 0         |
| <b>TOTAL</b>  | <b>14</b> | <b>14</b>          | <b>1</b>          | <b>0</b>    | <b>29</b> |

Table 2 - Actions due after 31 March 2023

| Service   | Complete | On Course | Delayed & Rescheduled | Total     |
|---|----------|-----------|-----------------------|-----------|
| <b>INTERNAL AUDIT</b>   |          |           |                       |           |
| CE – Financial Services   | 0        | 2         | 0                     | 2         |
| DH – Commercial Services  | 0        | 2         | 1                     | 3         |
| DH – Legal & Regulatory   | 1        | 1         | 0                     | 2         |
| KF – Customer Support Services  | 0        | 4         | 0                     | 4         |
| KF – Development & Economic Growth  | 0        | 2         | 0                     | 2         |
| KF – Roads & Infrastructure Services  | 0        | 4         | 0                     | 4         |
| H&SCP (IJB) – Adult Services (Older Adults & Community Hospitals)                                 | 0        | 0         | 1                     | 1         |
| H&SCP (IJB) – Finance & Transformation  | 0        | 1         | 0                     | 1         |
| H&SCP (SW) – Adult Services (Mental Health Learning Disability, Addictions & Lifelong Conditions) | 0        | 4         | 0                     | 4         |
| H&SCP (SW) – Finance & Transformation   | 0        | 2         | 0                     | 2         |
| <b>EXTERNAL AUDIT</b>   |          |           |                       |           |
| Nil   | 0        | 0         | 0                     | 0         |
| <b>TOTAL</b>  | <b>1</b> | <b>22</b> | <b>2</b>              | <b>25</b> |

#### **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**  
**20 June 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 Due 31 March 2023 - Delayed & Rescheduled/Evidence Required

|               | Service, Report, Plan no. & Finding   | Agreed Action   | Original and Revised Dates                | Comment  | Responsible Officer                 |
|---------------|---|---|---|--|-------------------------------------|
| <b>MEDIUM</b> | <p>FINANCIAL SERVICES<br/>FIXED ASSET REGISTER (AIRS)<br/>3. Asset Record Maintenance</p> <p>There are inconsistencies in descriptions when recording Council assets across the various systems and asset references are not always available to aid cross referencing. This results in difficulties reconciling assets held in service records to the fixed asset system AIRS.</p> | Work with Property Services and Fleet to ensure systems record the same assets and refer to references on other systems.  | 31 Dec 2022<br>31 Mar 2023<br>30 Jun 2023 | <p>The data matching exercise between both systems has been completed and the Concerto reference numbers harvested and assigned to the corresponding AIRS records. A data upload has been prepared to physically add the Concerto references to the records in AIRS and discussions are ongoing with the AIRS system supplier to confirm how to upload the reference data to AIRS. Completion of this work has been delayed by recent sickness absence but will be finished at the earliest opportunity.</p> <p><b>Delayed and Rescheduled</b></p> | Accountant - Capital                |
| <b>MEDIUM</b> | <p>LEGAL &amp; REGULATORY SUPPORT<br/>CIVIL CONTINGENCIES<br/>2. Civil Contingencies Duties</p> <p>Civil Contingencies officers are trained to comply with all duties of the Act, however, the Council's business continuity duties are managed out with the Unit.</p>  | A review of Business Continuity arrangements across the Council is to be progressed during 22/23 and part of that will be to integrate Business Continuity duties within the Civil Contingencies Unit as part of their wider resilience responsibilities. | 31 Mar 2023<br>31 Mar 2024                | <p>An invitation to quote for the first part of the process, ie, a review of our current BCM programme and systems to ensure the council's BCM programme is effective and robustly maintained has been issued to a number of consultants.</p> <p><b>Delayed and Rescheduled</b></p>  | Governance, Risk and Safety Manager |

|               | Service, Report, Plan no. & Finding  | Agreed Action   | Original and Revised Dates | Comment   | Responsible Officer                  |
|---------------|--|---|----------------------------|---|--------------------------------------|
| <b>MEDIUM</b> | <p>LEGAL &amp; REGULATORY SUPPORT<br/>Heritage Assets<br/>1. Valuations, Insurance &amp; Fixed Assets Register</p> <p>Finding: Civic chains, archive documents and museum exhibits are not included within the Council's programme of valuations.<br/>Finding: There is no inclusion of valuable archive documentation within the Council's All Risks insurance policy.<br/>Finding: Civic chains, Museum exhibits and valuable archive documents are not included within the Council's Fixed Asset Register, AIRS.</p> <p>Recommendation: Officers representing the various services involved should meet to discuss the requirements for valuation, insurance and inclusion within the Council's Annual Accounts and nominate responsible officer(s) to take forward any actions identified as a result.</p> | Officers representing the various services involved will meet to discuss the requirements for valuation, insurance and inclusion within the Council's Annual Accounts and nominate responsible officer(s) to take forward any actions identified as a result. | 31 Mar 2023<br>30 Jun 2023 | <p>Civic Chains are included on the Council's insurance but arrangements are being made for further valuation to update on individual basis; inclusion of Museum exhibits and archive documents on AIRs is being explored and actions planned to be complete by 30 June 2023.</p> <p><b>Delayed and Rescheduled</b></p> | Head of Legal and Regulatory Support |
| <b>HIGH</b>   | <p>LEGAL &amp; REGULATORY SUPPORT<br/>ICT Remote Working<br/>2. GDPR Training and annual refresher</p> <p>21.4% of employees with a user accounts have completed the mandatory or refresher GDPR modules in 2021, falling below the target of 90%.</p>   | An email will be issued to all networked employees reminding them of the requirement to complete the mandatory or refresher GDPR modules on LEON by 31 March 2023.  | 31 Mar 2023<br>30 Sep 2023 | <p>The mandatory module is undertaken as part of a new employee's induction. The refresher training module has been revised/updated and sent to Organisational Development to build. Reminder email will be sent once confirmation is received that it is available in LEON.</p> <p><b>Delayed and Rescheduled</b></p>  | Governance and Risk Manager          |

|      | Service, Report, Plan no. & Finding   | Agreed Action  | Original and Revised Dates  | Comment   | Responsible Officer  |
|------|---|--|---|---|--|
| LOW  | <p>DEVELOPMENT &amp; ECONOMIC GROWTH<br/>Private Sector Housing Grants &amp; Adaptions<br/>3. Procedure Notes and Shared Documents</p> <p>While the vast majority of requirements are included there would be benefit to updating these to reflect current working practices, which have evolved due to hybrid working arrangements and the digitalisation of records. Consideration should be given to creating a checklist to ensure consistent application of processes.</p> | <p>Procedures and documents will be reviewed and updated. Checklists to be drawn up and introduced when updating the procedures</p>  | <p>31 Mar 2023<br/>30 Sep 2023</p>                                  | <p>Meeting will be arranged with HSCP, Care and Repair and Housing Officers to update procedures and documents. This is scheduled to take place in early June 2023 due to staff shortages etc.</p> <p><b>Delayed and Rescheduled</b></p>                        | <p>Team Lead - Housing operations</p>                          |
| LOW  | <p>ROADS &amp; INFRASTRUCTURE SERVICES<br/>STREET CLEANING<br/>4. 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>Reintroduce use of handheld devices subject to ongoing Covid restrictions etc. to allow efficient updates to ELM.</p>   | <p>31 July 2022<br/>31 Dec 2022<br/>31 Mar 2023</p>                 | <p>Handheld devices reintroduced across the teams, supervisors have received refresher training and are now delivering training/toolbox talks to frontline staff to enable updates to be completed to the ELM system.</p> <p><b>Evidence Required</b></p>       | <p>Operations Manager, Roads &amp; Infrastructure Services</p> |
| HIGH | <p>ADULT SERVICES (OLDER ADULTS &amp; COMMUNITY HOSPITALS)<br/>HSCP - CARE PROGRAMME APPROACH (CPA)<br/>1. CPA Procedures</p> <p>There are no agreed CPA written procedures, including client assessment processes, to ensure a consistent approach to CPA service provision across the HSCP.</p>   | <p>Processes and procedures will be developed across Argyll &amp; Bute to improve consistency and ensure service provision is appropriate across the region.</p> <p>This is subject to the recruitment of key posts within the service which are currently vacant.</p> | <p>30 June 2022<br/>31 Dec 2022<br/>28 Feb 2023<br/>30 Sep 2023</p> | <p>April 2023 - CPA administrator and co-ordinator in post, benchmark of clients on CPA completed and CPA process and criteria written, currently going through clinical quality group for ratification and roll out.</p> <p><b>Delayed and Rescheduled</b></p> | <p>Consultant Nurse</p>  |

|        | Service, Report, Plan no. & Finding  | Agreed Action   | Original and Revised Dates  | Comment  | Responsible Officer                         |
|--------|--|---|---|--|---|
| HIGH   | <p>ADULT SERVICES (OLDER ADULTS &amp; COMMUNITY HOSPITALS)<br/>HSCP - CARE PROGRAMME APPROACH (CPA)<br/>2. CPA Training</p> <p>There is no programme of CPA training available to relevant HSCP staff to ensure a consistent approach to CPA service provision across the HSCP.</p>  | A training programme will be developed once key service staff are recruited.  | 30 Sept 2022<br>28 Feb 2023<br>31 Dec 2023                                | <p>April 2023, process for CPA awareness initiated, soft roll out to begin the process of understanding need and levels of understanding, both post holders able to and currently supporting teams to implement and progress supported CPA and are able to support training where needed across A&amp;B.</p> <p><b>Delayed and Rescheduled</b></p>   | Service Manager                             |
| MEDIUM | <p>ADULT SERVICES (OLDER ADULTS &amp; COMMUNITY HOSPITALS)<br/>HSCP - CARE PROGRAMME APPROACH (CPA)<br/>4. Carefirst</p> <p>Carefirst does not have a specific identifier category for clients on the CPA programme. Carefirst will be replaced by the system Eclipse system in June 2022.</p>   | Service is moving to Eclipse on June 2022, an identifier category will be included.   | 30 June 2022<br>30 Sept 2022<br>31 Mar 2023<br>30 Sep 2023                | <p>The go live date for Eclipse has been further delayed to June 2023. This will result in another delay in implementing this recommendation.</p> <p><b>Delayed and Rescheduled</b></p>  | Service Manager/<br>Eclipse Project Manager |
| MEDIUM | <p>STRATEGIC PLANNING AND PERFORMANCE<br/>HSCP - RISK MANAGEMENT - Risk Management Training<br/>6. There is no formal, proactive programme of risk management training. Whilst we understand some training has been provided where requested by the Clinical Governance Manager and her team (and tailored to whom it is being delivered), there is no requirement for Risk Leads to have training and training records are not maintained. There is also no dedicated training programme in place for new members of the IJB or Audit Committee, such as within induction training.</p> | A formal programme of risk management training should be developed and delivered to all key personnel involved in the management of risk. | 30 June 2021<br>30 June 2022<br>30 Dec 2022<br>31 Mar 2023<br>30 Sep 2023 | <p>The following actions are being taken -</p> <ul style="list-style-type: none"> <li>• Reviewing partner risk management online training resources. There has been a significant change of personnel within the team and we are keen to support a longer term approach to embedding risk management and this will be updated through the contingency risk and resilience group which is the appropriate internal governance.</li> </ul> | Clinical Governance Manager                 |

|             | Service, Report, Plan no. & Finding   | Agreed Action   | Original and Revised Dates | Comment   | Responsible Officer                     |
|-------------|---|---|----------------------------|---|---|
|             | Risk management may be impaired due to insufficient risk training and support amongst key personnel.  |   |                            | <ul style="list-style-type: none"> <li>Implementing a programme of system training (immediate)</li> <li>Co-opting support from HR and the Business Improvement manager to support completion of the task at an integrated organisational level.</li> </ul> <p>Due to the review action an update will be provided by the next quarterly reporting period which indicates an actual completion date but the activity is started.</p> <p><b>Delayed and Rescheduled</b></p> |   |
| <b>HIGH</b> | ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS & LIFELONG CONDITIONS/CSWO)<br>Client Funds<br>3. Procedures<br><br>This is a restricted report, content removed. | The facility to set up individual bank accounts for each client will be made available to all Social Work Offices | 31 Mar 2023<br>30 Jun 2023 | Restricted Report, content removed.<br><br><b>Delayed and Rescheduled</b>   | Finance Manager<br>Departmental Support |
| <b>HIGH</b> | ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS & LIFELONG CONDITIONS/CSWO)<br>Client Funds<br>4. Procedures<br><br>This is a restricted report, content removed. | A new safe will be installed  | 31 Mar 2023<br>30 Jun 2023 | Restricted Report, content removed.<br><br><b>Delayed and Rescheduled</b>   | SW Admin Manager                        |



|      | Service, Report, Plan no. & Finding  | Agreed Action   | Original and Revised Dates                                | Comment  | Responsible Officer                     |
|------|--|---|---|--|---|
| HIGH | ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS & LIFELONG CONDITIONS/CSWO)<br>Client Funds<br>8. Procedures<br><br>This is a restricted report, content removed.  | Local banking facilities will be set up for each Social Work Office   | 31 Mar 2023<br>30 Jun 2023                                | Restricted Report, content removed.<br><br><b>Delayed and Rescheduled</b>  | Finance Manager<br>Departmental Support |
| VFM  | ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS & LIFELONG CONDITIONS/CSWO)<br>SW - CHARGING FOR NON-RESIDENTIAL CARE SERVICES<br>4. Service Uptake Data<br><br>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. | Recommendation accepted.<br>Further discussion will be held with supplier to include service uptake functionality and reporting capabilities on new system from April 2022. | 31 Mar 2022<br>30 Sept 2022<br>31 Mar 2023<br>30 Jun 2023 | Eclipse go live has now been further delayed to June 2023. Some further delay to the implementation of this recommendation is now expected<br><br><b>Delayed and Rescheduled</b> | Deputy Head of eHealth HSCP             |

**Action Plan Points Due After 31 March 2023 - Delayed & Rescheduled/Evidence Required**

|     | Service, Report, Plan no. & Finding  | Agreed Action   | Original and Revised Dates         | Comment  | Responsible Officer    |
|-----|--|---|------------------------------------|--|------------------------|
| LOW | <p>COMMERCIAL SERVICES<br/>Externally Funded Projects - Rothesay Pavilion<br/>3. Resources</p> <p>Consideration should be given to reviewing the extensive use of outside contractors and consultants as opposed to investing in in-house resources in regard to major capital projects especially in light of the projected overspend on the project.</p> | <p>As part of the End Project Report, Lessons Learned, a review of the decision pertaining to project resourcing will be undertaken, and recommendations made to Head of Service with respect to the on-going efficient resourcing of projects. In developing future projects the Council will continue to give consideration to the most efficient resourcing model.</p> | <p>30 Jun 2023<br/>30 Jun 2024</p> | <p>In approving the Staged Approach to Project Completion on 23 February 2023, the Council has accepted the resourcing structure for the delivery of the Stage 2a works, which are to be delivered between 1 May 2023 and 14 June 2024. How the subsequent stages of works are to be resourced will be determined by a number of factors, including: securing the additional funding necessary to take those works forward; the procurement route for securing the services of a suitably qualified and experienced principal contractor; the availability of the existing Design Team and Cost Consultants to support the delivery of the later stages of implementation; and the availability, experience and capacity of internal technical resources to provide support to the project through the next stages of implementation. These will all be considered in the interim period to arrive at a preferred implementation strategy for Stage 2b and Stage 2c, which will be submitted to the Policy and resources</p> | <p>Project Manager</p> |

|             | Service, Report, Plan no. & Finding   | Agreed Action  | Original and Revised Dates   | Comment  | Responsible Officer                            |
|-------------|---|--|--|--|--|
|             |   |  |  | Committee and full Council for consideration and approval at the appropriate juncture, but realistically this may not be fully determined prior to completion of the Stage 2a works on 14 June 2024.<br><br><b>Delayed and Rescheduled</b> |  |
| <b>HIGH</b> | ADULT SERVICES (OLDER ADULTS & COMMUNITY HOSPITALS)<br>HSCP - CARE PROGRAMME APPROACH<br>3. Client Records<br><br>There is no consistent agreed process for maintaining client records, including the recording and sharing of information. | 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. | 30 June 2022<br>30 Sept 2022<br>31 Mar 2023<br>30 June 2023<br>30 Sep 2023 | The Eclipse go live date has been further delayed to June 2023 by the project board. Further delay in implementing this recommendation is one of the implications of this.<br><br><b>Delayed and Rescheduled</b>                           | Service Manager/<br>Eclipse Project<br>Manager |

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# Audit Strategy Memorandum

Argyll and Bute Council

Year ending 31 March 2023



# Contents

- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Wider scope and Best Value
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements
  
- A** Appendix A – Key communication points
- Appendix B – Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

This document is to be regarded as confidential to Argyll and Bute Council. It has been prepared for the sole use of the Audit and Scrutiny Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Scrutiny Committee  
Argyll and Bute Council  
Kilmory  
Lochgilphead Argyll  
PA31 8RT

Mazars LLP  
100 Queen Street  
Glasgow  
G1 3DN

April 2023

Dear Audit and Scrutiny Committee Members

## Audit Strategy Memorandum – Year ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Argyll and Bute Council for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Argyll and Bute Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07813 752 053 or via [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk).

Yours faithfully

Signed: 

Cameron Waddell (Partner)

Mazars LLP

Mazars LLP – 100 Queen Street – Glasgow – G1 3DN

Tel: 0141 227 2400 – [www.mazars.co.uk](http://www.mazars.co.uk)

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

## **Engagement and responsibilities summary**



# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Argyll and Bute Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of Audit Practice 2021 | Audit Scotland \(audit-scotland.gov.uk\)](#). Our responsibilities are principally derived from the Local Government (Scotland) Act 1973 (the 1973 Act) and the Code of Audit Practice, as outlined below.

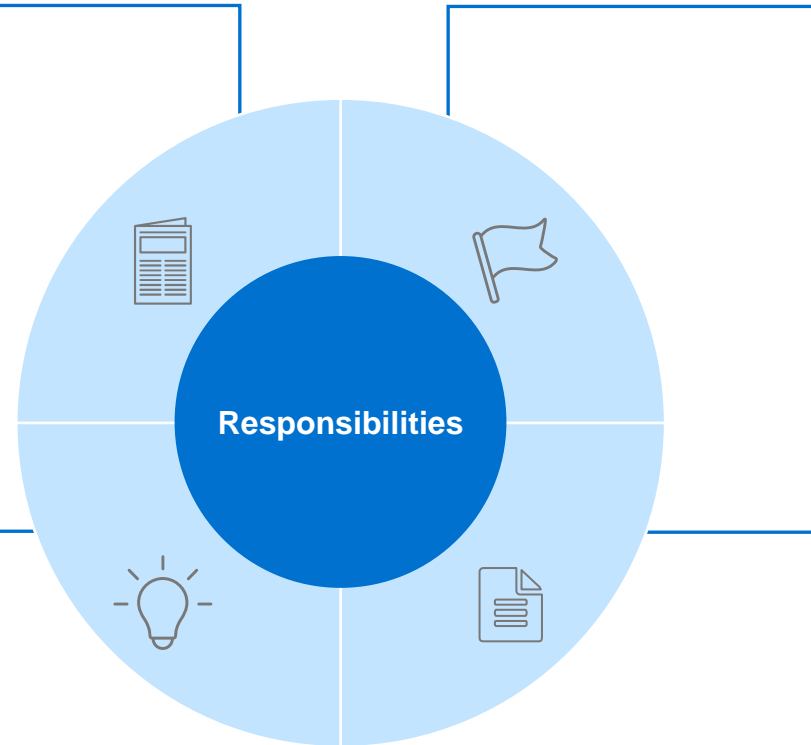
### Audit opinion

We are responsible for forming and expressing an independent opinion on whether the financial statements are prepared, in all material respects, in accordance with all applicable statutory requirements. Our audit does not relieve management or the Audit and Scrutiny Committee, as Those Charged With Governance, of their responsibilities.

The Section 95 Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Section 95 Officer's use of the going concern basis of accounting in the preparation of the financial statements.

### Wider scope and Best Value

We are also responsible for reviewing and reporting on the wider scope arrangements that the Council has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in [section 5] of this report.



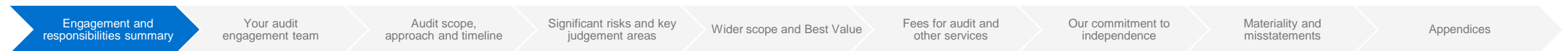
### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and Internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

### Wider reporting

We report to the National Audit Office on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. The level of auditor assurance required depends on monetary thresholds set by HM Treasury.



# 02

Section 02:

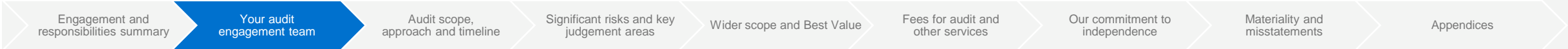
**Your audit engagement team**

# 2. Your audit engagement team

Below is your audit engagement team and their contact details.

**Cameron Waddell**  
**Engagement Partner**  
cameron.Waddell@mazars.co.uk  
07813 752 053

**Alfred Mugani**  
**Team Leader**  
alfred.mugani@mazars.co.uk  
0781 569 0995



# 03

Section 03:

**Audit scope, approach and timeline**

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

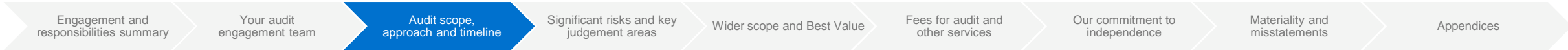
## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



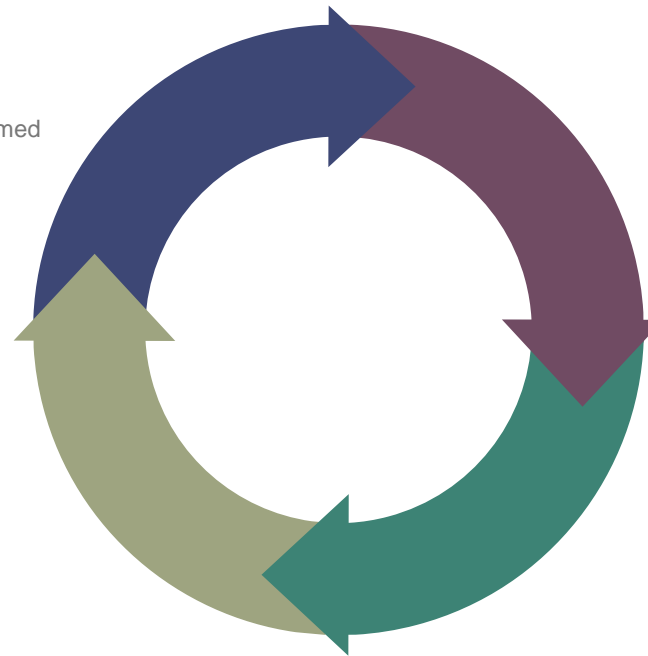
# 3. Audit scope, approach and timeline

## Planning and Risk Assessment (January to April 2023)

- Planning visit and developing our understanding of the Council
- Initial opinion and wider scope risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

## Completion (November 2023)

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Scrutiny Committee
- Reviewing subsequent events
- Signing the independent auditor's report

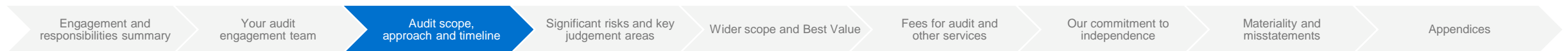


## Interim (March to June 2023)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork (July to October 2023)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures. Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own procedures to determine its adequacy for our audit.

During the audit, we will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

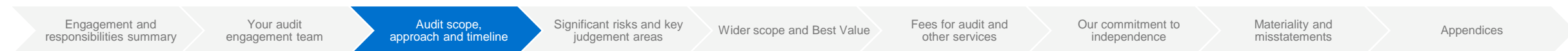
## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.

## Management’s and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

| Item of account                         | Management’s expert                                     | Our expert  |
|---|---|---|
| Defined benefit liability               | Hymans Robertson<br>( <i>Strathclyde Pension Fund</i> ) | We make use of PWC actuarial services who are commissioned by the NAO to review the national analysis of pension trends and assumptions of the various LGPS actuaries.  |
| Property, plant and equipment valuation | Council’s in-house valuer                               | We will review the analysis of property valuation movements available from third parties and consider the outcome of the Council’s valuations in comparison with these, challenging conclusions as appropriate. We have also engaged the Mazars Real Estates Valuation team to assist with the above.<br><br>Our in-house valuation team will review the Council’s valuation methodology. |
| Financial instrument disclosures        | Link Asset Services (formerly Capita)                   | No expert required.   |



# 3. Audit scope, approach and timeline

## Group audit approach

In line with the requirements of the CIPFA Code of Practice, the Council has considered its material interests in other entities and determined that group accounts are required which will consolidate its interests. This section sets out the planned work in respect of those entities which we refer to here as components.

## Group materiality

Our assessment of group materiality is set out in section 8.

## Assessment of components

We assess the significance of the components as part of determining the level of work required. In assessing the significance of components, we consider a range of quantitative and qualitative factors including:

- whether a component exceeds a minimum of 15% of key benchmarks (income, expenditure, assets and liabilities);
- whether any financial statement area (FSA) is greater than 15% of the relevant FSA in the consolidated accounts and greater than performance materiality; and
- whether there are any risks of material misstatement in the components likely to result in material misstatement in the group financial statements.

Our assessment is summarised in the first table in this section overleaf.

## Nature and scope of planned work

The second table in this section sets out the estimated proportion of each component, relative to the overall group, as well as the nature and scope of planned work. Note that these are estimates and we will update our assessment for any significant changes. This work is in addition to our review of group-wide controls and the consolidation process.

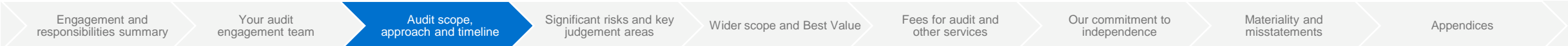
Planned procedures are split into the following categories:

- full scope audit;
- limited or specific review; and
- other audit procedures, including group analytical procedures.

Components being treated as 'significant' and subject to a full scope audit or specific audit procedures are:

- the Council; and
- Live Argyll.

Analytical procedures at Group level will be carried out for the remaining components; the objective of the analytical procedures is to critically corroborate the group engagement team's conclusions that there are no significant risks of material misstatement of the aggregated financial information of components that are not significant components.

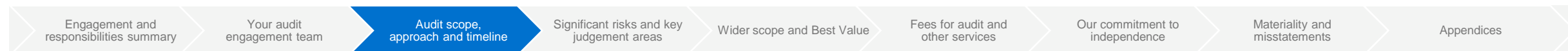




### 3. Audit scope, approach and timeline

#### Group audit approach (continued)

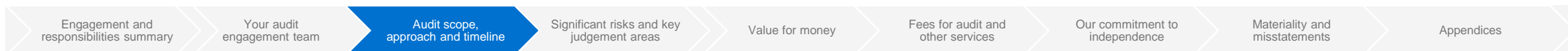
| Entity  | Nature of component / ownership   | Auditor        | Significant in terms of benchmarks? | Significant risk of material misstatement? | Commentary   |
|---|---|----------------|-------------------------------------|--|--|
| Argyll and Bute Council (parent)                        | Parent – local authority.   | Mazars LLP     | Yes                                 | Yes  | Full audit of ultimate parent.   |
| Argyll and Bute Integration Joint Board                 | Joint venture between the Council and NHS Highland with responsibility for health and social care functions.  | Mazars LLP     | No                                  | No   | Not a significant or material component. No assurance required from the component auditor.   |
| Dunbartonshire and Argyll & Bute Valuation Joint Board  | Joint Board responsible for the maintenance of the electoral, council tax and non-domestic rates registers for Argyll and Bute, West Dunbartonshire and East Dunbartonshire Councils.   | Mazars LLP     | No                                  | No   | Not a significant or material component. No assurance required from the component auditor.   |
| Strathclyde Partnership for Transport                   | Joint Committee to promote joint working, setting the policy framework for the effective management, development and integration of transport through the Joint Transport Strategy.     | Audit Scotland | No                                  | No   | Not a significant or material component. No assurance required from the component auditor.   |
| Strathclyde Concessionary Travel Scheme Joint Committee | Joint Committee of Councils that oversees the operations of the concessionary fares scheme for public transport within its area.  | Audit Scotland | No                                  | No   | Not a significant or material component. No assurance required from the component auditor.   |
| Live Argyll   | 100% owned subsidiary of the Council, which provides a wide range of services within the area including libraries, leisure facilities, halls, sports development and community centres. | Mazars LLP     | No                                  | Yes  | Significant risk of material misstatement linked to gross pensions assets and liabilities.   |
| Common Good Accounts                                    | The Council administers the Common Good Accounts for several former Burghs.   | -              | No                                  | No   | Not a significant or material component. Testing undertaken in relation to material balances via disclosures in Council's accounts.. |



### 3. Audit scope, approach and timeline

#### Group audit approach (continued) – using 2021/22 financial statements balances and transactions

| Component   | % of Group Assets | % of Group Net Assets | % of Group Revenues | % of Group Expenditure | Nature and scope of work   |
|---|-------------------|-----------------------|---------------------|------------------------|--|
| <b>Argyll and Bute Council</b>  | 96.6%             | 95.2%                 | 92.7%               | 97.5%                  | <b>Full scope audit</b>  |
| Argyll and Bute Integration Joint Board   | 1.2%              | 2.0%                  | 4.1%                | 0.0%                   | Analytical procedures at group level   |
| Dunbartonshire and Argyll & Bute Valuation Joint Board  | 0.1%              | 0.2%                  | 0.8%                | 0.4%                   | Analytical procedures at group level   |
| Strathclyde Partnership for Transport   | 0.7%              | 1.1%                  | 0.5%                | 0.2%                   | Analytical procedures at group level   |
| Strathclyde Concessionary Travel Scheme Joint Committee   | 0.0%              | 0.0%                  | 0.1%                | 0.0%                   | Analytical procedures at group level   |
| Live Argyll   | 0.3%              | (0.3%)                | 1.8%                | 1.9%                   | Audit of one or more account balances, classes of transactions or disclosures. i.e. pensions related transactions, balances and disclosures. |
| Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan | 1.1%              | 1.8%                  | 0.0%                | 0.0%                   | Analytical procedures at group level   |
| <b>Total</b>  | <b>100%</b>       | <b>100%</b>           | <b>100%</b>         | <b>100%</b>            |  |



# 3. Audit scope, approach and timeline

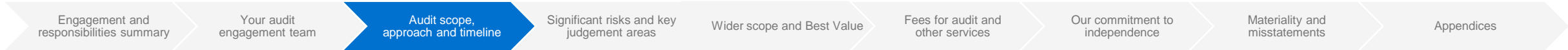
## Audit of trusts registered as Scottish charities

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The 2006 Regulations require charities to prepare annual accounts and an auditor to prepare a report to the charity trustees where any legislation requires an audit.

The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a Council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the Council are sole trustees.

Members of the Council are the sole trustees for 7 trust funds registered as Scottish charities, with total assets of circa £800,000. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The Council is proposing to prepare one set of consolidated accounts for all 7 trust funds this year.

We have not identified any significant risks, other than the risk of management override of controls which we have also identified as a risk for the Council's annual accounts, for the financial statements of the Council's charitable trusts.



# 04

Section 04:

**Significant risks and other key judgement areas**

# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

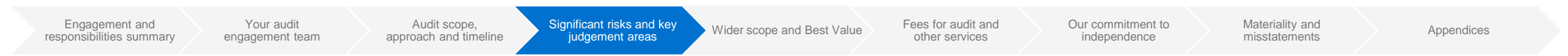
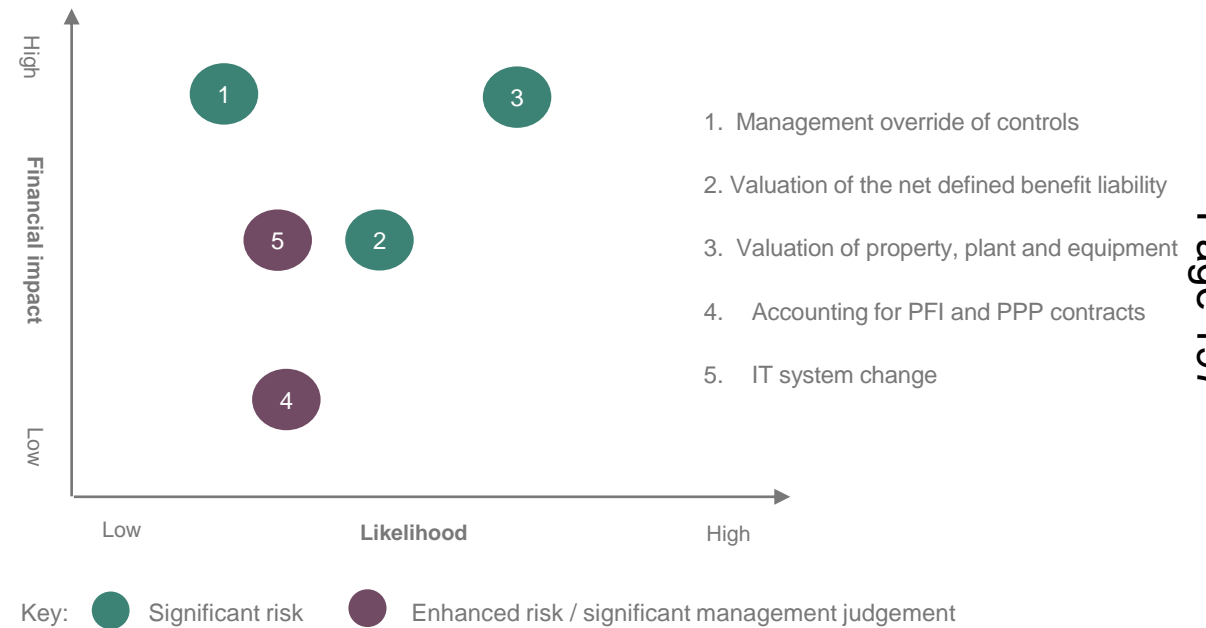
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



# 4. Significant risks and other key judgement areas

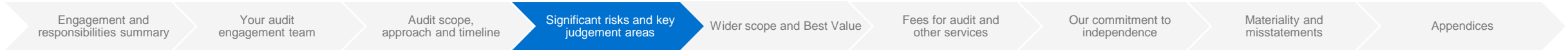
## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Scrutiny Committee.

## Significant risks

|   | Description  | Fraud | Error | Judgement | Planned response  |
|---|--|-------|-------|-----------|---|
| 1 | <p><b>Management override of controls</b><br/>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p> | ●     | ○     | ○         | <p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p> <p>We will address the risk through performing audit procedures, covering a range of areas including (but not limited to):</p> <ul style="list-style-type: none"> <li>• accounting estimates included in the financial statements for evidence of management bias;</li> <li>• any significant transactions outside the normal course of business; and</li> <li>• journals and other adjustments recorded in the general ledger in preparing the financial statements.</li> </ul> |

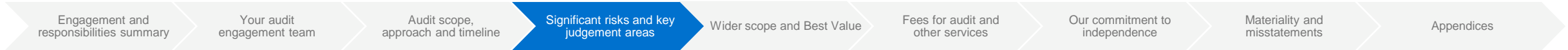
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# 4. Significant risks and other key judgement areas

## Significant risks

|   | Description   | Fraud | Error | Judgement | Planned response   |
|---|---|-------|-------|-----------|--|
| 2 | <p><b>Net defined benefit liability/surplus valuation</b></p> <p>As at 31 March 2022, the net defined benefit surplus was £4.6 million.</p> <p>The valuation of the Council’s net liabilities includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council’s employees and other appropriate data. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.</p> | ○     | ●     | ●         | <p>We will address this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators (Strathclyde Pension Fund).</p> <p>We will also:</p> <ul style="list-style-type: none"> <li>• assess the skill, competence and experience of the Fund’s actuary;</li> <li>• challenge the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;</li> <li>• carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.</li> </ul> |

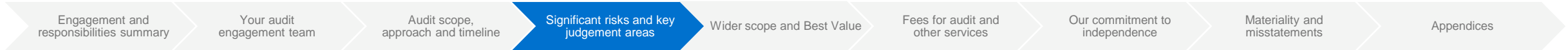


# 4. Significant risks and other key judgement areas

## Significant risks

|   | Description   | Fraud | Error | Judgement | Planned response   |
|---|---|-------|-------|-----------|--|
| 3 | <p><b>Other land and buildings valuation</b></p> <p>As at 31 March 2022, the Council owned £415 million of other land and buildings which are subject to revaluation. The Code requires that the carrying value should reflect the appropriate fair value as at the year end. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.</p> <p>Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.</p> | ○     | ●     | ●         | <p>We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings. We will:</p> <ul style="list-style-type: none"> <li>• assess the scope and terms of engagement with the Valuer;</li> <li>• assess the competence, skills and objectivity of the Valuer;</li> <li>• assess how management use the Valuer’s report to value land and buildings included in the financial statements;</li> <li>• test the accuracy of the data used in valuations;</li> <li>• challenge the Council and Valuer’s assumptions and judgements applied in the valuations;</li> <li>• review valuation methodology used, including the appropriateness of the valuation basis; and</li> <li>• consider the reasonableness of the valuation by comparing the valuation output with market intelligence.</li> </ul> <p>We have also engaged the Mazars Real Estates Valuation team to assist with the above.</p> |

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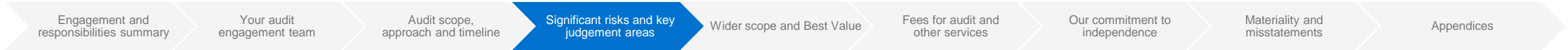




# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks

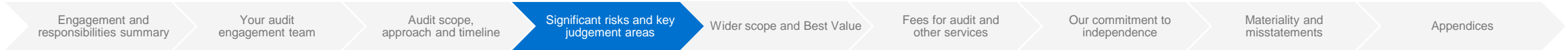
|   | Description  | Fraud | Error | Judgement | Planned response  |
|---|--|-------|-------|-----------|---|
| 4 | <p><b>Accounting for PFI and PPP contracts</b><br/>                     The Council currently operates three Private Finance Initiative (PFI), or similar, contracts which are accounted for as Service Concession arrangements under IFRIC12 – Service Concession Arrangements.</p> <p>The Council has determined that in the case of the Schools NPDO contract and the new Schools DBFM contract, the Council has control over the services provided through use of the schools and that a qualifying asset has been created. Therefore, the assets are included on the Council’s Balance Sheet along with a finance lease liability.</p> <p>The Council also operates a Waste Management PPP contract. In this case the Council determined that a “qualifying asset” has not been created and that the Council does not have significant control over the services being provided. Therefore, the asset has not been included on the Council’s Balance Sheet and payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account.</p> <p>The method of accounting for PFI and PP assets can be complex and involves management judgement as set out in Note 3 to the financial statements. Therefore, there is a potential risk of material misstatement if the Council fails to appropriately account for these assets.</p> | ○     | ●     | ●         | We will review the Council’s adopted approach for accounting for its PFI and PPP schemes. |



# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks

|   | Description   | Fraud | Error | Judgement | Planned response   |
|---|---|-------|-------|-----------|--|
| 4 | <p><b>IT system change</b></p> <p>During the year, the Council changed its core financial accounting system to Fusion.</p> <p>At the time of implementation the Council undertook detailed mapping and matching exercises to ensure that 2021/22 balances and 2022/23 transactions were accurately and completely transferred from the old to the new system.</p> | ○     | ●     | ○         | <p>We will undertake a high-level assessment of the data migration governance to address the completeness and accuracy of the system implementation. As part of our work we will undertake sample testing of balances being transferred between the systems to ensure its completeness and accuracy.</p> |



# 05

Section 05:

**Wider scope and Best Value**

# 5. Wider scope and Best Value

## The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of the Council's arrangements in four areas:

1. **Financial management**
2. **Financial sustainability**
3. **Vision, leadership, and governance**
4. **Use of resources to improve outcomes.**

## Our approach

Our planned audit work against the four wider scope areas is risk based and proportionate. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses. We will carry out more detailed work where we identify significant risks. Where significant weaknesses are identified we will report these to the Council and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

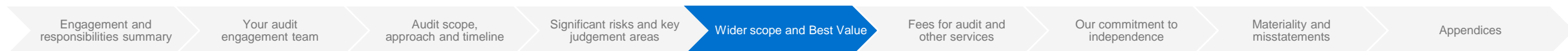
## Best Value

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. Best Value at the Council will be assessed over the period of the audit appointment. We will also follow up previously reported Best Value findings to assess the pace and depth of improvement. This work will be integrated into our audit approach, including our work on the wider scope areas.

We will also conduct thematic reviews as directed by the Accounts Commission. In 2022/23 this will be on the effectiveness of council leadership in developing new strategic priorities following the elections in May 2022. We will prepare a separate management report to document the findings of this work.

At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Council is not included in the first year of the programme which runs from October 2023 to August 2024.

|   |   |
|---|---|
| <b>Financial management</b>                 | <p>Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.</p> <p>Auditors consider whether the body has effective arrangements to secure sound financial management.</p>  |
| <b>Financial sustainability</b>             | <p>Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.</p> <p>Auditors consider the extent to which audited bodies have shown regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.</p> |
| <b>Vision, leadership and governance</b>    | <p>Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.</p> <p>Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.</p>      |
| <b>Use of resources to improve outcomes</b> | <p>Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.</p> <p>Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.</p>       |



# 5. Wider scope and Best Value

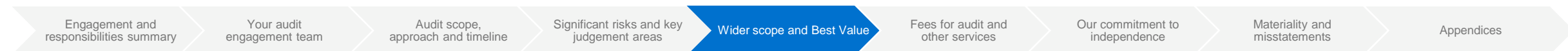
## Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

Although we have not fully completed our planning and risk assessment work, the table below outlines the wider scope audit risk that we have identified to date. We will report any further identified risks to the Audit and scrutiny Committee on completion of our planning and risk identification work.

We will also follow up the Council's progress in addressing recommendations from previous years.

|   | Description   | Financial management | Financial sustainability | Vision, leadership and governance | Use of resources to improve outcomes | Planned procedures  |
|---|---|----------------------|--------------------------|-----------------------------------|--------------------------------------|---|
| 1 | <p><b>Financial Sustainability</b><br/>Councils continue to face significant financial challenges with pressures on funding and increasing demand for services.</p> <p>As per the <i>Revenue Budget Overview 2023-24 to 2027-28</i> report presented to Full Council in February 2023 the Council anticipates delivering a balanced position for 2023/24. However, budget estimates anticipate an in-year budget gap of £7.9 million for 2024/25, rising to a cumulative budget gap of £28.4 million by the end of 2027/28 based upon a 'mid-range' scenario. The Council's 'worst case' scenario highlights a potential £65.4 million cumulative budget gap by the end of 2027/28.</p> <p>This represents a risk in relation to financial sustainability, impacting on the future provision of services in the Council's area.</p> | ○                    | ●                        | ○                                 | ○                                    | <p>As part of our audit we will review the Council's:</p> <ul style="list-style-type: none"> <li>• medium to long term financial strategy;</li> <li>• financial position and track record in delivering planned recurrent and non-recurrent savings in 2022/23;</li> <li>• financial performance in 2023/24 and updates to its financial planning during the year, including the implications for general reserves balances;</li> <li>• regular reporting to Members on financial performance, savings plans and financial risks; and</li> <li>• progress in developing plans to address future years budget gaps.</li> </ul> |



# 5. Wider scope and Best Value

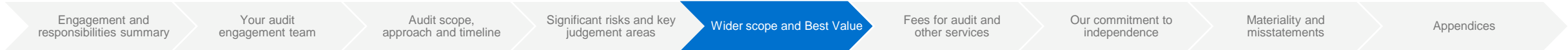
## National risk areas under scope of audit in 2022/23

### Climate change

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change. There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. A number of public bodies have declared a climate emergency and set their own net zero targets, some of which are earlier than Scotland’s national targets. All public bodies will need to reduce their direct and indirect emissions, and should have plans to do so. Many bodies will also have a role in reducing emissions in wider society, and in supporting activity to adapt to the current and potential future impact of climate change. For example, working with the private sector and communities to help drive forward the required changes in almost all aspects of public and private life, from transport and housing to business support. Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

Public audit has an important and clear role to play in helping drive change and improvement in this uncertain and evolving area of work; supporting public accountability and scrutinising performance; and helping identify and share good practice. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For 2022/23 audits, we are required to provide answers to the questions set out in the following table which are intended to gather basic information on the arrangements for responding to climate change in each body:

- What targets has the Council set for reducing emissions in its own organisation or in its local area?
- Does the Council have a climate change strategy or action plan which sets out how the body intends to achieve its targets?
- How does the Council monitor and report progress towards meeting its emission targets internally and publicly?
- Has the Council considered the impact of climate change on its financial statements?
- What are the areas of the financial statements where climate change has, or is expected to have, a material impact?
- Does the Council include climate change in its narrative reporting which accompanies the financial statements and is it consistent with those financial statements?



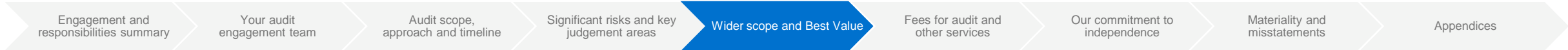
# 5. Wider scope and Best Value

## National risk areas under scope of audit in 2022/23 (continued)

### Cyber security

There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyberattack can have on both the finances and operation of an organisation.

For 2022/23 audits, auditors are advised to consider risks related to cyber security at audited bodies. However, the revised ISA (UK) 315 includes enhanced requirements for auditors to understand a body's use of IT in its business, the related risks and the system of internal control addressing such risks. The Auditor General and Accounts Commission consider that meeting these additional requirements is likely to be sufficient consideration of cyber security in 2022/23.



# 06

Section 06:

**Fees for audit and other services**



## 6. Fees for audit and other services

### Fees for work as the Council's appointed auditor

At this stage of the audit we are planning a divergence from the expected fees set by Audit Scotland due to the need to undertake additional testing associated with the transition to a new financial ledger system during 2022/23. The breakdown of the fee is set out in the table below.

|  | 2022/23 Proposed Fee | 2021/22 Actual Fee |
|--|----------------------|--------------------|
| Auditor remuneration   | 237,440              | 172,150            |
| Pooled costs   | 0                    | 17,940             |
| Contribution to PABV costs   | 57,770               | 72,830             |
| Audit support costs  | 9,000                | 9,190              |
| Sectoral cap adjustment  | 2,030                | 0                  |
| <b>Total expected fee</b>  | <b>306,240</b>       | <b>272,110</b>     |
| <b>Additional testing required to reflect the transition to a new ledger in 202/23</b> | <b>4,225</b>         | <b>-</b>           |

We have taken account of the risk exposure of the Council and the management assurances in place. We have assumed that the Council has effective governance arrangements and will prepare comprehensive and accurate accounts and working papers for audit in line with the agreed timetable for the audit. We reserve the right to charge a supplementary fee where our audit cannot proceed as planned. An additional fee will be required for any other significant exercises not within our planned audit activity.

### Fees for audit of Charitable Trusts

The audit fee in table above does not include the cost of auditing the Council's 7 charitable trusts. We propose setting a fee for the audit of these of £6,500.

### Services provided to other entities within the Council's group

In addition, to auditing the Council's 7 charitable trusts, we are providing audit services to the following entities in the Council's group:

- Argyll and Bute Integration Joint Board (total fee of £31,470)
- Dunbartonshire and Argyll & Bute Valuation Joint Board (total fee of £8,790).
- Live Argyll (estimated total fee for 2022/23 of £16,000).

# 07

Section 07:

**Our commitment to independence**

# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

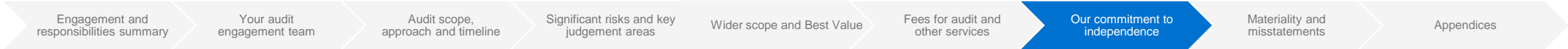
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.



# 08

Section 08:

## **Materiality and misstatements**

# 8. Materiality and misstatements

## Summary of initial materiality thresholds

| Threshold   | Council  | Group                       |
|---|--|-----------------------------|
|   | Initial threshold<br>£'000s  | Initial threshold<br>£'000s |
| Overall materiality   | 8,907  | 8,997                       |
| Performance materiality   | 5,344  | 5,398                       |
| Specific materiality: Remuneration Report                                       | £1 for senior councillors and senior employees' remuneration and pensions benefits<br>1 banding for Employees' remuneration<br>1 banding for exit packages |                             |
| Trivial threshold for errors to be reported to the Audit and scrutiny Committee | 267  | 269                         |

| Charitable trust                    | Overall materiality | Performance materiality | Trivial threshold |
|-------------------------------------|---------------------|-------------------------|-------------------|
| Based upon audited 2021/22 accounts | £15,500             | £9,300                  | £465              |

## Materiality

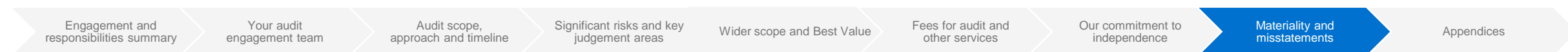
Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.



# 8. Materiality and misstatements

## Materiality (continued)

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at surplus/deficit level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Scrutiny Committee.

We consider that Gross Revenue Expenditure at surplus/deficit level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross revenue expenditure at surplus/deficit level. Based on the audited 2021/22 financial statements, we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £8.907 million (Council) and £8.997 million (Group).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. For a first-year audit, our initial assessment of performance materiality, based on low inherent risk, means that we have applied 60% of overall materiality as performance materiality.

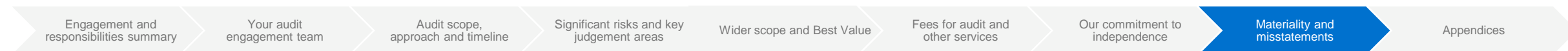
## Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Scrutiny Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.267 million (Council) and £0.269 million (Group) based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Cameron Waddell.

## Reporting to the Audit and Scrutiny Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit and Scrutiny Committee

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



# A

## Appendices

A: Key communication points

B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

# Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum; and
- Annual Audit Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

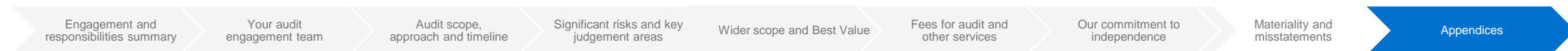
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our commitment to independence.
- Responsibilities for preventing and detecting errors;

- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Significant difficulties, if any, encountered during the audit.
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.



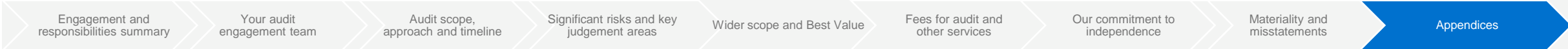


# Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

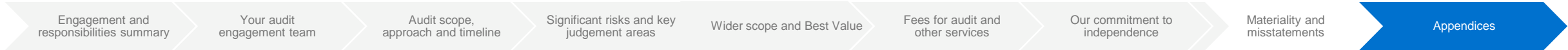
| Required communication  | Where addressed   |
|---|---|
| Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.  | Audit Strategy Memorandum   |
| The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.  | Audit Strategy Memorandum   |
| With respect to misstatements: <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>  | Annual Audit Report   |
| With respect to fraud communications: <ul style="list-style-type: none"> <li>• enquiries of the Audit and Scrutiny Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul> | Annual Audit Report and discussion at Audit and Scrutiny Committee, Audit planning and clearance meetings |

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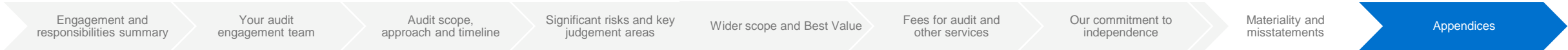
# Appendix A: Key communication points

| Required communication   | Where addressed     |
|--|---------------------|
| <p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>  | Annual Audit Report |
| <p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Scrutiny Committee in the context of fulfilling their responsibilities.</li> </ul> | Annual Audit Report |
| Significant deficiencies in internal controls identified during the audit.   | Annual Audit Report |
| Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.  | Annual Audit Report |



# Appendix A: Key communication points

| Required communication  | Where addressed  |
|---|--|
| <p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of.</p>   | <p>Annual Audit Report and Audit and Scrutiny Committee meetings</p>       |
| <p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul> | <p>Annual Audit Report</p>   |
| <p>Reporting on the valuation methods applied to the various items in the annual Council and Group financial statements including any impact of changes of such methods</p>   | <p>Annual Audit Report</p>   |
| <p>Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.</p>   | <p>Audit Strategy Memorandum and/or Annual Audit Report as appropriate</p> |
| <p>Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms</p>  | <p>Audit Strategy Memorandum and/or Annual Audit Report as appropriate</p> |
| <p>Indication of whether all requested explanations and documents were provided by the entity</p>   | <p>Annual Audit Report</p>   |



# Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

## Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

### Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on inherent risk factors which include:

- subjectivity;
- complexity;
- uncertainty and change; and
- susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

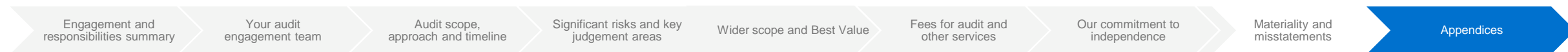
### Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible

risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

### Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



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Telephone: 07813 752 053

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****20 JUNE 2023**

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**CONSULTATIONS SCRUTINY REVIEW**

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**1. SUMMARY**

- 1.1 The consultations scrutiny review was carried out as per the 2022/23 scrutiny plan agreed by the Audit and Scrutiny Committee at their 15 September 2022 committee meeting.
- 1.2 The Consultations scrutiny panel comprised of Mr Martin Caldwell (Chair), Councillor Hardie, Councillor Kennedy-Boyle and Councillor Irvine with support provided by internal audit officers. Councillor Lynch joined the panel in the latter stages to provide cover in the absence of Councillor Irvine.
- 1.3 The consultations process was chosen for inclusion in our scrutiny priorities for 2022/23 due to its importance in terms of any significant planned change in approach by a local authority.

**2. RECOMMENDATIONS**

- 2.1 Committee to agree the Draft Consultations Scrutiny Report.
- 2.2 Committee to agree the most appropriate committee or other Council group for the Consultations Scrutiny Report to be presented to for consideration.

**3. DETAIL**

- 3.1 The initially agreed objectives of the scrutiny review were to:
- Identify any gaps in processes followed by the Council
  - Consider opportunities to implement improvements based on good practice
  - Assess alignment with other public sector organisations and good practice principles

The panel agreed to a further statement of overall purpose of the review as follows:

- ensure centrality of public consultations to Council governance principles
- evaluate the alignment of the council's policy with external sources of good practice
- evaluate focus and content of the Council's guidance

- ensure accepted principles of consultation are included within Council consultation toolkit guidance

3.2 Throughout this review two panel meetings were held to gather evidence.

- Panel one – Head of Customer Support Services and the Communications Manager
- Panel two – those attending panel one with the addition of the Head of Legal and Regulatory Support.

3.3 We would like to extend our appreciation for the cooperation and assistance received from all attendees invited to provide evidence over the course of the review.

3.4 Based on the information obtained over the course of the review the panel has identified six findings specific to this review. These are detailed in the report attached as appendix 1.

3.5 The report has been discussed with the officers and panel members involved in the review to confirm accuracy and it is now for the Committee to decide whether to approve the report and, if so, to agree the most appropriate committee or other Council group for the Consultations Scrutiny Report to be presented to for consideration.

#### **4. CONCLUSION**

4.1 Committee is requested to agree the attached report and agree the most appropriate Committee or other Council group for the report to be presented to for consideration.

#### **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

**Martin Caldwell**  
**Chair of the Consultations Scrutiny Panel**  
**20 June 2023**

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



**Appendices:**

Appendix 1 – Draft Consultations Scrutiny Report

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Argyll and Bute Council

Scrutiny Report

April 2023

FINAL DRAFT

# Consultations

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## Contact Details

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Chief Internal Auditor: Paul Macaskill (paul.macaskill@argyll-bute.gov.uk)

[www.argyll-bute.gov.uk](http://www.argyll-bute.gov.uk)

## 1. Executive Summary

1. In September 2022, Elected Members requested that a scrutiny review of non-statutory council consultations take place as part of Argyll and Bute Council's (the Council) 2022/23 scrutiny plan. The Audit and Scrutiny Committee (the Committee) agreed to progress with this review and work should commence to define the scope of the work to be carried out.
2. A briefing paper was prepared by scrutiny officers and passed to the panel to provide background information. Discussion took place at this briefing session and at a further meeting of the panel to establish the scope of the review. This resulted in six themes of enquiry:
  - Sufficient comprehensive guidance is in place to assist officers carrying out consultations to achieve the intended outcomes within allocated resource constraints.
  - Public consultations are available at the correct time using the most appropriate method of consultation to ensure that all members of the public within the target audience are provided with an opportunity to participate.
  - The general public is made aware that their views are important to inform service decisions but are not inundated with multiple consultations on similar themes.
  - Results of consultations are used to inform service decisions and the associated response reports are published on the Council's website.
  - Elected Members are appropriately involved in and guided through the consultation process.
  - Council consultation toolkit guidance is in proportionate alignment with external guidance to meet Council requirements and limited resource availability.
3. Wide ranging research took place to establish legislative requirements and examples of good practice to form a basis for assessing Council consultation toolkit guidance. An extensive examination followed to measure compliance with the established assessment basis and identify any areas for improvement. The findings of this review formed the basis of discussions held with key officers involved, the full details of which are included in Exhibit 2.
4. The panel reviewed and discussed a large suite of documents obtained over the course of the review to reach its conclusions, these can be summarised as follows:
  - What happens in consultations is important to Elected Members as they are the bridge between the Council and the public; they are very alive both to the substance of consultations and the way in which they are carried out.
  - Designing and delivering successful consultations depends greatly on the quality of the Council's guidance and understanding of the audience which a given consultation is targeted at.
  - A review of the Council's guidance on consultations concluded that it was in alignment with nine of the eleven principles of good practice in the Scottish Government Guide to Public Consultations; partly aligned in one and not aligned in one.
  - Panel members wanted to find a way to be more involved in the process leading up to a consultation being announced; if it went off course; and in potential evaluation. This issue required detailed guidance on the relations between members and officers and on the delegated system of decision making within the Council.
  - There is a need for clarification during induction training of Elected Members regarding consultations and more broadly on their role in terms of policy and operational matters to clarify boundaries between members and officers.

- More comprehensive information should be provided to Elected Members including availability of self-service resources, publication of results of consultations and performance information
- There should be developed performance reporting of results within a reasonable time and feedback to those who participated in the process.

The full conclusions reached are included in paragraph 26 with findings and recommendations outlined in exhibit 3.

## 2. Detail

### Introduction

5. As part of the Council's 2022/23 scrutiny plan, approved by the Committee in September 2022, we have undertaken a scrutiny review of non-statutory council consultations.
6. Throughout this report references to 'the panel' refers to the Chair of the Committee and four Committee Elected Members who conducted this review. They were:
  - Martin Caldwell (panel chair)
  - Councillor Hardie
  - Councillor Kennedy-Boyle
  - Councillor Irvine
  - Councillor Lynch
7. The panel was supported by council officers who gave willingly of their time to help deliver the review. We would like to extend our appreciation for the co-operation and assistance received from all witnesses invited to provide evidence over the course of the review.

### Objectives

8. The initially agreed objectives of the scrutiny review were to:
  - Identify any gaps in processes followed by the Council
  - Consider opportunities to implement improvements based on good practice
  - Assess alignment with other public sector organisations and good practice principles

### Background

9. Consultations add value by giving local people a voice and an opportunity to influence important decisions, however they can be resource intensive and take time to complete. Each consultation that takes place is unique and therefore requires to be carefully planned and scoped to ensure clarity over the target audience of the views being sought, establish what perspectives can be added to what is already known and by what means is it best to obtain those views in a way that is appropriate and convenient for all involved.
10. Consultation exercises may be scrutinised to ensure they have been executed in an appropriate and proportionate manner, it is therefore important to record all decisions taken at the appropriate level and any supporting justification to ensure the process is demonstrably fair, effective and of a high quality.

11. Councils sometimes have a statutory requirement to consult their residents in compliance with relevant legislation such as the Schools (Consultation) (Scotland) Act 2010 where certain material changes are proposed for the school estate. Recent examples of school consultations can be viewed using this [link](#) (items 7 – 11 of the agenda). These consultations must follow a prescriptive process and timeframe as set out within the Act and are supported by additional guidance published by Scottish Government.
12. There are also non-statutory reasons that a consultation may be required, this may include:
  - To improve planning, policy and decision making
  - To make better use of resources
  - To access new information ideas and suggestions
  - To encourage greater participation in the activities of the Council
  - To govern by consent (a full and fair consultation, with careful consideration of all views, can strengthen the legitimacy of the prevailing view among those people not in favour of the final decision)
  - To measure residents' satisfaction with the Council
  - To shape council activities around residents' needs and aspirations.
13. There are three key elements to working with our communities:
  - Communication – information provided to the public regarding an agreed position
  - Engagement – two way process of ongoing dialogue about a need to change e.g. budget, legislation etc. until a proposal or recommendations are made or a conclusion is reached
  - Consultation – gives the public an opportunity to provide responses to a proposal or recommendation

## Scrutiny Initiation Briefings – 30 November 2022

14. In November 2022 the panel met to agree the scope and identify invitees to give evidence at panel meetings.
15. The scrutiny officers circulated a briefing paper to the panel which provided background on consultations. As well as providing background information (see paras 9-13 above) the briefing paper also noted that consultations were frequently undertaken by the Council; their importance was signified in the Annual Governance Statement of the Council; guidance for staff on the design, focus, targeting and lessons learned from consultations was contained in a toolkit suite of documents on the Council's intranet site; a Consultation Diary was available on the Council website; and that a consultation forward planner is to be put in place by the recently appointed Insight and Research Officer.
16. The panel recognised the comprehensive nature of this briefing and in a wide ranging discussion noted the following :
  - The Council guidelines are extensive and comprehensive
  - There is a legal framework to consultations which is embedded in the Gunning principles
  - A generic approach to consultations should be taken rather than focussing on specific consultations
  - There is a need to understand best practice principles and test whether the Council follows these

- The underlying process of consultation rather than a focus on one aspect should be the priority
- The role of Elected Members in consultations should be an important element for review
- There does not seem to be an oversight element for Elected Members once a consultation has been launched with the exception of consultations which could have a policy implication and these will normally be reported to the appropriate strategic committee
- The review of the governance statement could be an opportunity for the ASC to comment on consultation policy
- The partnership between Elected Members and officers is key when consultations are being considered but their roles are distinct

17. The panel agreed to a further statement of overall purpose of the review as follows:

- ensure centrality of public consultations to Council governance principles
- evaluate the alignment of the council's policy with external sources of good practice
- evaluate focus and content of the Council's guidance
- ensure accepted principles of consultation are included within Council consultation toolkit guidance

18. The panel agreed that they should meet with appropriate representatives of the groups set out in Exhibit 1.

#### Exhibit 1 – Scrutiny Meetings Attendees and Key Areas for Discussion

| Group              | Key Areas for Discussion  |
|--------------------|---|
| Council Officer(s) | <p data-bbox="451 1151 1251 1180">Centrality of Public Consultations to Council Governance Principles</p> <ul data-bbox="504 1189 916 1328" style="list-style-type: none"> <li>• In governance statement</li> <li>• In routine policy development</li> <li>• In guidance to line managers</li> <li>• In guidance to committees</li> </ul> <p data-bbox="451 1368 1251 1397">Source and Alignment of the Council's policy with External Sources</p> <ul data-bbox="504 1406 1342 1581" style="list-style-type: none"> <li>• Scottish Local Authority sources</li> <li>• Other UK Local Authority sources</li> <li>• Other sources including Scottish Government</li> <li>• Sources of evidence used in arriving at conclusions in consultation exercises</li> </ul> <p data-bbox="451 1626 979 1655">Focus and content of the Council's guidance</p> <ul data-bbox="504 1664 1342 1877" style="list-style-type: none"> <li>• Overall audience being targeted</li> <li>• Involvement of Elected Members</li> <li>• Governance</li> <li>• Marketing</li> <li>• Tool Kit Guides in Council's intranet site (HUB) and alignment with External Sources of Guidance</li> </ul> |



### 3. Scrutiny Meetings

#### Scrutiny Panel Meeting – Council Officers – 02 & 24 February 2023

19. The first meeting consisted of the panel, Head of Customer Support Services and the Communications Manager. The second meeting consisted of those attending the first with the addition of the Head of Legal and Regulatory Support.
20. The scrutiny officers undertook a detailed review of the Council’s guidance documents on consultation against the 11 principles of good consultation in the Scottish Government Best Practice Guide to assess their alignment. This revealed that the Council’s guides wholly aligned to nine of the good practice principles, one was partially aligned and one was not aligned (please see alignment document at appendix 1 for further information).
21. Against this finding and building on the overall purpose of the review that had been agreed in the first meeting the six themes identified in paragraph 2 were agreed by the panel as the final scope of the review.
22. Scrutiny officers thereafter reviewed the Council’s guidance against these themes and identified certain gaps and considered amendments. (See conclusions at Paragraph 26)
23. The panel focussed on the first Gunning principle that a consultation proposal was essentially at a formative stage of a service development or project and that the final decision has not yet been made or predetermined by decision makers. The panel were of the view that they wanted Elected Members to be more involved in consultations and that timing of consultations in a process of project or policy development was crucial. It was noted that in the past 3 years some 92 consultations had been carried out. The panel were reminded of a statement in the SG Good Practice Guide as follows: ‘A consultation process cannot be used to indicate levels of support for a proposal or represent the views of the wider public’.
24. It was against this backdrop of issues that the panel met with council officials over the following two panel meetings. The Exhibit 2 lists the themes in order and the key messages emerging from each theme representing the respective views of the panel and the officials.
25. Key messages reflecting the views of the Council officers who attended are set out in Exhibit 2.

#### Exhibit 2 – Scrutiny Meetings – Council Officers - Key Messages

| Theme   | Detail  |
|---|---|
| Sufficient comprehensive guidance is in place to assist officers carrying out consultations to achieve the intended outcomes within allocated resource constraints. | <p>The Head of Legal and Regulatory Support advised that a reason for non-statutory consultations being introduced was to demonstrate that the Council had operated in a logical and objective manner in arriving at a policy or process decision. As well as being a sound policy this would protect the Council against potential applications for judicial review over such decisions.</p> <p>When undertaking statutory consultations there is a very clearly laid out process to follow that is embedded within the relevant legislation. Non-statutory consultations are not subject to the same stringent requirements, however, there is a comprehensive set of guidance based on sound operating principles that is available to officers.</p> |

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|  | <p>Non-statutory consultations that may lead to a material service alteration or creation or revision of a policy or strategy will, in the normal course of business be approved by the appropriate Department Management Team (DMT), Executive Leadership Team (ELT) or appropriate strategic committee. There is now a recently appointed part time Insight and Research Officer in place in the communications team who will be available to support this process. This will support the application of council consultation toolkit guidance on consultations, feedback to the public on how their views made a difference, and updating as required of the council's guidance based on effective practice and/or lessons learned.</p> <p>Scottish Government guidance is 96 pages long and designed to be used by Civil Servants with greater access to further resources, it is therefore considered to be a "gold standard". The Council's consultation toolkit guidance is available on the intranet site (HUB) and is available to all Elected Members and officers, it condenses the required information into a more user friendly format across four compact documents totalling 36 pages. This guidance is not currently available to the general public.</p> <p>The consultation toolkit guidance is based on national guidelines. It is appropriate to apply guidelines as it is not possible to codify consultations as each one will have a life of its own, a different message, audience, impact and way of managing progress but there are key landmarks and principles in the guidance which need to be recognised and followed, though not rigidly.</p> <p>The consultation toolkit guidance provides tips and advice on planning, designing and developing effective consultations drawn from lessons learned from previous consultations undertaken by Council officers and from best practice set out in the National Standards for Community Engagement.</p> <p>The consultation toolkit guidance also advises officers how to construct questions in such a way that they do not contain inherent assumptions about the outcome, they should be clear and objective based on facts and circumstances at the time.</p> <p>The planning timetable at step 3 (page 10) of the consultation toolkit guidance indicates that consideration should take place on whether the consultation and the subsequent completed consultation report needs to be approved, and if so to ensure it meets the set management</p> |
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|  | <p>or committee meeting deadline. (This will vary depending on the specific nature and scope of each consultation.)</p> <p>There is a need to clarify whether a lessons learned review is an appropriate way to determine improvement going forward and whether this can be accommodated into the consultation toolkit guidance for those undertaking consultations.</p> <p>The Best Value Action Plan has an action to further develop the consultation toolkit guidance around communication and engagement and this is in progress.</p> <p>Constructive conversations training is currently being delivered to interested officers to improve their communication, engagement and consultation skills.</p>   |
| <p>Public consultations are available at the correct time using the most appropriate method of consultation to ensure that all members of the public within the target audience are provided with an opportunity to participate.</p> | <p>Detailed internal documentation and guidance is available to officers and additional reference is made in the Council's Annual Governance Statement which is contained within the Annual Accounts and placed before the Audit and Scrutiny Committee. The Annual Governance Statement is reviewed annually and updated as required to reflect the current position and all senior staff have input into the document. This is a robust process that is acknowledged by External Auditors.</p> <p>It is considered that the correct number of consultations take place as those that are carried out are authorised by appropriate senior management and/or committees as required within the Council's guidance and we are not aware of any comments implying that other topics should have been consulted on.</p> <p>The Council must consult where a material change is required to the way in which services are delivered and/or where there is a statutory obligation to do so.</p> <p>A change programme sits alongside the Council's agreed priorities for delivery over the rest of the period of this current administration. This provides longer-term planning for how we redesign our services and acknowledges that service redesign is not a luxury but essential due to the financial constraints on the Council. There is an awareness that this requires greater involvement with our communities and service users.</p> <p>Smaller consultations at an operational level are not necessarily about policy change or material alterations to the way the council operates. The operational principles would be set out in agreement with the relevant Executive</p> |

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|   | <p>Director and appropriately in consultation with the Policy Lead and, if necessary the strategic committee.</p> <p>The need to consult before decisions are made is set out in the guidance and therefore resources would not be deployed to work on a consultation had decisions already been made.</p> <p>Resourcing a consultation is an operational matter which is considered as part of the consultation process and authorised via senior management and, if appropriate, a strategic committee. Consultations can be time consuming and resource intensive, they can also create a great deal of controversy and an enormous amount of communication. There are avenues to follow to request additional funding from Financial Services should additional resources be required.</p> <p>Consultation information is published on the website for the general public to access to save generating multiple communications containing the same information.</p> <p>Clear communications describing what is being asked, why we are asking, what stage we are at and this is how we will use your response is essential to manage public expectations, avoid misunderstandings and minimise reputational damage.</p> <p>There is a difference between the efficacy of a consultation process and the substance of what we are consulting on. When people don't like the proposal being made there is a risk that the process will be blamed.</p> <p>A Member's seminar has been held around the Scottish approach to service design. This approach is aimed at involving members of the public at the right time and in the right way to generate improvements.</p> |
| <p>The general public is made aware that their views are important to inform service decisions but are not inundated with multiple consultations on similar themes.</p> | <p>The Consultation Diary area of the Council's website provides some feedback received in the year 2019/20 indicating what was asked, what was said and what was done upon receipt of results ("We Asked", "You Said" and "We Did").</p> <p>There was no specific feedback from consultees regarding how well they considered the consultation process was carried out.</p> <p>Although both are intended to involve the general public, there was concern that the difference between consultation and public engagement can easily be confused.</p>   |

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|  | <p>There is a need to demonstrate that we are genuinely committed to involving the general public in different ways and at different stages that are appropriate to the subject matter.</p>   |
| <p>Results of consultations are used to inform service decisions and the associated response reports are published on the Council's website.</p> | <p>The guidance clearly advises the officer to feedback results of consultations, it states "You must always provide feedback on the results of the consultation and on how the views given have influenced decisions. Remember, if you don't feedback, the public will be less inclined to participate the next time round."</p> <p>Results of consultations are not always posted on the web page by the relevant officers on a timely basis.</p> <p>There is no metric of performance for placing results of consultations on-line within a reasonable timeframe after the closing date.</p> <p>There was concern that decisions can appear to have been already made prior to consultation taking place e.g. "this is our preferred option". This is, however, often as a result of an option appraisal where a preferred option may be consulted on.</p> <p>Evaluation of major consultations is an operational task and results are passed to relevant Elected Members. There may be benefit in undertaking an independent review of a sample of consultations that have taken place to verify compliance and identify any lessons learned.</p> <p>Officers can share examples of good practice where engagement and consultation exercises have been successful, however, this has not been well used in the past.</p> |
| <p>Elected Members are appropriately involved in and guided through the Consultation process.</p>  | <p>Panel members advised that they are often unaware of decisions on consultations until they are announced in the local press.</p> <p><i>Involvement in consultations</i></p> <p>Some panel members wanted to find a way to be more involved in the process leading up to a consultation being announced; if it went off course; and in any potential evaluation.</p> <p>Discussion took place on whether there was a role for members at the inception or pre-planning stage of a consultation. It was thought that greater clarity be provided in the Council guidance on whether the timing is considered to be appropriate and what strategic interaction if any</p>   |

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|  | <p>between Elected Members and officers is appropriate as a project, programme or policy develops.</p> <p>This may potentially provide opportunities for officers to engage with Elected Members prior to the finalisation of the consultation design. It is difficult to gauge the type and scale of projects that Elected Members would be interested in. Any clarification or issues could be initially raised with the Head of Service.</p> <p>Notwithstanding the potential for such engagement it was important that the role of councillors be put into its statutory context. This relates firstly to the distinct role of both members and officers as set out in the code of conduct; and second to the delegation structure of the Council.</p> <p><i>Member / Officer Relations in the Code of Conduct</i></p> <p>Members are required to provide strategic leadership and oversight. This involves setting strategy, scrutinising and making major, complex decisions that concern the Council as a whole. Councillors are not, however, responsible for operational management (being the planning, organising and execution involved in day to day activities) as this is the role of employees. (Code of Conduct Annex A Para 3.)</p> <p>Elected Member's relationship with council officers is explained within the Local Government Scotland Act and the Council's Code of Conduct for Elected Members (<a href="#">pages 198 and 221</a>). Scottish Government Councillors' Code of Conduct 2021 also sets out standards of behaviour to be followed by elected members of local authorities, under the Ethical Standards in Public Life etc. (Scotland) Act 2000.</p> <p><i>Delegation</i></p> <p>Delegation is essential to the smooth running of the Council and therefore any policy development or significant change is approved by the appropriate committee as it would not be practical for all decisions to be passed to the full Council</p> <p>Policy decisions cannot take place without involvement of the Executive Director and the Policy Lead. Once it has been identified that a consultation is required, the proposal is reported to the relevant strategic committee for approval by Elected Members. Not all Elected Members can be involved in the development of a policy unless it is passed to a meeting of the full Council. Once the consultation has taken place, results are gathered and reported back to the committee to make a decision based on the</p> |
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|  | <p>recommendations made. All Strategic Committee papers are publically available and are held on a hybrid basis, therefore all elected members can access these and attend meetings where the proposal is discussed.</p> <p>Under the Council's delegated structure senior management and Elected Members within the strategic committees are ordinarily involved but if a topic is to be wider ranging, all Elected Members should be initially sign-posted to information that is available on the Council's website for public access. In the event of additional information being required by Elected Members, they should direct enquiries to the relevant Head of Service.</p> <p>Once feedback is received and it is decided that the matter requires a policy change after discussion with the policy lead it is taken forward to the appropriate committee for approval of the delegated Elected Members.</p> <p>92 consultations took place over last 3 years and would be extremely difficult and inefficient to have all Elected Members involved in all consultations. There is a need to find a balance where everyone feels involved but does not increase the administrative burden on officers.</p> <p><i>Member Development</i></p> <p>It was noted that there may be some uncertainty on the part of some Elected Members who may not have fully grasped their role as set out above.</p> <p>There is a gap in Elected Members training to ensure they have enough knowledge of statutory and non-statutory consultations and engagement and an understanding of how decisions are made and at what point it is decided that a topic goes to consultation.</p> <p>The Elected Member Development Plan is under review from induction through to one-to-one sessions regarding personal development and all training in between to equip Elected Members as changes take place. The desire of Elected Members to be more involved in consultations arising from this scrutiny review will be reported to those involved in the Member Development Plan to identify what improvements can be made. A session on consultations can be accommodated within induction planning.</p> <p>Elected Members may be helpful in raising awareness of specific consultations either across the Council or in their specific wards.</p> |
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|   | <p>Elected members have a role in managing expectations of the general public about what level of engagement the Council is able to carry out, what the expectations of consultations are and realistic expectations of what local government is in a position to take forward using resources available.</p> <p>Elected Members and third sector partners are encouraged to make use of the consultation space on the Council's website that can be accessed by the general public providing details of live consultations and results of closed consultations that have been published. This is the most up to date source of consultations information and should be reviewed regularly by interested parties.</p> <p>The Council issues a Weekly News Roundup bulletin which contains a section dedicated to consultations, it provides a brief description of the consultation and key dates at a glance which would help people decide if they wanted to become involved. This is a free subscription service and is currently sent out to around 4 – 5 thousand recipients and removes the need to proactively check the consultations space on the Council's website.</p> |
| <p>Council consultation toolkit guidance is in proportionate alignment with external guidance to meet Council requirements and limited resource availability. A process is in place to identify any gaps and consider amendments.</p> | <p>The Annual Governance Statement is currently under review and we are considering what other LAs do as part of that process. There is currently a good system in place in relation to governance arrangements within the Council.</p> <p>The Council's consultation toolkit guidance was prepared by the Communications team using good practice available from various sources, it is fully aligned to 9 of the 11 UK government principles and one is partially aligned. A summary table of the alignment exercise has been attached at appendix 1.</p>   |

## 4. Overall Conclusion and Findings

26. Based on the information obtained over the course of the review the panel has concluded that:

- There is a comprehensive suite of guidance available to officers on the Council's intranet site, the Hub, however, this guidance does not advise the reader to avoid consultations during an election period.
- New Elected Members are provided with induction training promptly after elections take place as well as regular development sessions, however, these do not currently include details regarding the Council's consultation process and the differentiation between statutory and non-statutory requirements.
- There may be some ambiguity on the part of some Elected Members regarding the role of Elected Members in terms of policy and operational matters and it is considered that



induction and development training do not provide sufficient information to clarify the boundaries.

- Elected Members consider that they are not being adequately informed when consultations are about to take place, however, there are additional resources they can view on the website or receive upon subscribing to the Council's weekly bulletin that contains a consultations section.
- Results of consultations are not always published on the council's website in a timely manner.
- There is no metric in place to report on the timely publication of consultation results.

27. The review has identified 6 findings which have been discussed with management. These, and the management responses, are detailed in Exhibit 3.

### Exhibit 3 – Findings

| No. | Recommendations   | Management Response   |
|-----|---|---|
| 1   | The consultation guidance document on the HUB should be updated to include further advice for officers to avoid conducting consultations during an election period.   | The consultation guidance will be updated by the Communications Manager.  |
| 2   | As part of induction training for new Elected Members and at appropriate development sessions, specific content on the Council's process of consultations should be included to explain the differentiation between statutory and non-statutory in terms of process requirements.   | The Head of LRS and Head of CSS will liaise to develop appropriate content for the members' induction and development sessions.   |
| 3   | As part of induction training for new Elected Members and at appropriate development sessions, information should be provided to help clarify the boundary of responsibility between Elected Members and Officers as set out in statute, the code of conduct for Councillors and related guidance. There should be specific focus on how processes work within the Committee structures and systems to ensure that Elected Members are aware of how matters are appropriately dealt with and by which policy leads. | The Head of Legal and Regulatory Support has commenced separate reviews in regard to Induction Training and Elected Member Development and these matters will be picked up in each of those as they progress. |
| 4   | Elected Members should be advised to subscribe to the Council's weekly newsletter which contains information regarding current issues and projects and includes a specific section on live consultations. Additionally, Elected   | The Communications Manager will advise Elected Members of the Council's weekly newsletter and how to subscribe to this service, they will also be made aware of the information published on the              |

| No. | Recommendations   | Management Response  |
|-----|---|--|
|     | Members should be advised to refer to the Consultations Diary page on the Council's internet site where they can view details and results of closed consultations and links to participate in those that are current. This will aid member's awareness of consultations taking place. | Consultation Diary area of the Council's website.  |
| 5   | Officers should be reminded of the need to publish results of consultations on the Council's web page on a timely basis.  | <p>The Communications Manager/Head of Customer Support Services will provide the Executive Leadership Team (ELT) with a paper supporting the need to publish results of consultations on a timely basis. ELT will direct the Departmental Management Teams to remind Heads of Service of this need.</p> <p>The Communications Manager will provide additional guidance to assist officers through the publication process.</p> |
| 6   | A performance metric should be implemented to encourage prompt publication of consultation results in accordance with step 4 of the HUB guidance and overarching UK Government Principles.  | The Communications Manager will involve the Community Engagement Working Group in developing and establishing an effective metric.   |

## APPENDIX 1

**Review of Argyll and Bute Council's Toolkit Guides to ensure Alignment with UK Government's Consultation Principles 2018**

The Scottish Government has prepared guidance which outlines their approach to consultations and this has been published on its [website](#), a [Consultation Good Practice Guidance](#) document has also been prepared and made available for public access. Both of these documents make several references to other organisations and their resources, however, the key information source is that of the [UK Governments 11 Principles of Consultation](#) which incorporates and expands upon the Gunning principles. Use of these principles helps to ensure that appropriate and justifiable decisions are made about consultation exercises in terms of legal issues as well as good practice.

An exercise has been carried out to assess the content of the Council's guidance ([Consultation Guidance \(toolkit\)](#), [Consultation checklist](#), [Consultation Lessons Learned](#) & [Consultations do and don't guide to writing consultation questions](#)) against the UK Government's 11 principles and the results are included within the table below.

**Assessment of Council Consultation Toolkit Guidance against UK Government Principles**

|   | <b>Consultation Principles 2018</b>  | <b>Inclusion within ABC Guidance</b>  |
|---|--|---|
| A | <p><b>Consultations should be clear and concise</b><br/>Use plain English and avoid acronyms. Be clear what questions you are asking and limit the number of questions to those that are necessary. Make them easy to understand and easy to answer. Avoid lengthy documents when possible and consider merging those on related topics.</p>   | <p>Consultation toolkit page 8 first bullet advises reader to use plain English and provides link to further guidance which advises to avoid use of jargon and acronyms in the 2<sup>nd</sup> bullet on page 7. Page 10 of the do and don't guide states that all questions should be clear and unambiguous. Page 1 of the do/don't guide suggests using routing to allow participants to skip questions that are not relevant to them. Page 2 of the do/don't guide advises to make sure that questions are short and specific to be clear of what is being asked. The HUB landing page for consultations advises against overloading people with consultation requests and refers the reader to review the consultation diary to assess what consultations have taken/are due to take place. Upcoming consultations should be registered with the Communications team to avoid duplication. The toolkit also states on page 2 that the officer should check that a consultation has not already taken place on the topic or the information is already out there, page 6 also advises that people are reluctant to read long documents.</p> |
| B | <p><b>Consultations should have a purpose</b><br/>Do not consult for the sake of it. Ask departmental lawyers whether you have a legal duty to consult. Take consultation responses into account when taking policy forward. Consult about policies or implementation plans when the development of the policies or plans is at a formative stage. Do not ask questions about issues on which you already have a final view.</p> | <p>Toolkit page 3 states that the overall purpose of the consultation should be identified and is reiterated in the do/don't guide on page 9. Requirements for a consultations of a statutory nature are set out in legislation and therefore not relevant to this review. Page 2 of the toolkit states that local views help the Council reach the best decisions about what we do and how we do it, additionally, step 4, no.3 (page 14) states that it is important that participants know how the consultation will influence policy development or service delivery. Page 1 of the do/don't guide defines</p>  |

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|   |   | the role of a consultation including that it gives people the opportunity to contribute to a decision that has not been made yet.   |
| C | <p><b>Consultations should be informative</b></p> <p>Give enough information to ensure that those consulted understand the issues and can give informed responses. Include validated impact assessments of the costs and benefits of the options being considered when possible; this might be required where proposals have an impact on business or the voluntary sector.</p>   | Page 7 of the toolkit states that a consultation document provides an opportunity to provide detailed background information on a particular proposal or issue. The do/don't guide also suggests to consider the information that needs to be provided to enable people to respond honestly and constructively and offers some suggestions to assist.                                       |
| D | <p><b>Consultations are only part of a process of engagement</b></p> <p>Consider whether informal iterative consultation is appropriate, using new digital tools and open, collaborative approaches. Consultation is not just about formal documents and responses. It is an on-going process.</p>  | The consultation toolkit assists the officer to decide which method of consultation to use and lists the associated pros and cons on pages 6 & 7.   |
| E | <p><b>Consultations should last for a proportionate amount of time</b></p> <p>Judge the length of the consultation on the basis of legal advice and taking into account the nature and impact of the proposal. Consulting for too long will unnecessarily delay policy development. Consulting too quickly will not give enough time for consideration and will reduce the quality of responses.</p>  | Pages 10 & 11 of the toolkit are dedicated to planning the consultation and this includes, preparation, notifications, consulting and evaluating responses. The ideal time indicated for the consultation element to take place is 6 to 8 weeks.  |
| F | <p><b>Consultations should be targeted</b></p> <p>Consider the full range of people, business and voluntary bodies affected by the policy, and whether representative groups exist. Consider targeting specific groups if appropriate. Ensure they are aware of the consultation and can access it. Consider how to tailor consultation to the needs and preferences of particular groups, such as older people, younger people or people with disabilities that may not respond to traditional consultation methods.</p> | Step 2 of the consultation toolkit helps the officer decide how to reach the target consultees including enabling the seldom heard to take part where appropriate. The various methods listed on pages 6 & 7 assist in this task. Page 8 identifies measures to help overcome barriers that prevent anyone from taking part and advises where to contact for further advice and assistance. |
| G | <p><b>Consultations should take account of the groups being consulted</b></p> <p>Consult stakeholders in a way that suits them. Charities may need more time to respond than businesses, for example. When the consultation spans all or part of a holiday period, consider how this may affect consultation and take appropriate mitigating action, such as prior discussion with key interested parties or extension of the consultation deadline beyond the holiday period.</p>  | The most appropriate method to conduct a consultation for the target audience is discussed in step 2 of the toolkit. The table in stage 3 on page 11 states that sufficient time should be allowed for key stakeholders to respond and be aware of times of year when responses may be affected e.g. religious festivals, school holidays etc.  |

|   |  |  |
|---|--|--|
| H | <p><b>Consultations should be agreed before publication</b><br/>Seek collective agreement before publishing a written consultation, particularly when consulting on new policy proposals. Consultations should be published on gov.uk.</p>   | <p>Step 3 on page 10 of the consultation toolkit states that consultation should be approved by DMT, SMT or appropriate council committee prior to registering with the research and engagement officer.</p>   |
| I | <p><b>Consultation should facilitate scrutiny</b><br/>Publish any response on the same page on gov.uk as the original consultation, and ensure it is clear when the government has responded to the consultation. Explain the responses that have been received from consultees and how these have informed the policy. State how many responses have been received.</p>   | <p>Step 5 within the Consultation toolkit deals with the provision of feedback and evaluation of the consultation. This includes, thanking everyone involved, no. of responses and comments provided, outline of how the Council will act on the results, detailed feedback, publication and disbursement. Feedback reports are expected to be published on the Council's website but this does not always appear to be happening.</p> |
| J | <p><b>Government responses to consultations should be published in a timely fashion</b><br/>Publish responses within 12 weeks of the consultation or provide an explanation why this is not possible. Where consultation concerns a statutory instrument publish responses before or at the same time as the instrument is laid, except in very exceptional circumstances (and even then publish responses as soon as possible). Allow appropriate time between closing the consultation and implementing policy or legislation.</p> | <p>Step 3, page 11 of the consultation toolkit advises the officer to set a deadline for the consultation results to be done/reported to appropriate decision making meeting, however, there is no recommended time period for this to be completed.</p>   |
| K | <p><b>Consultation exercises should not generally be launched during local or national election periods</b><br/>If exceptional circumstances make a consultation absolutely essential (for example, for safeguarding public health), departments should seek advice from the Propriety and Ethics team in the Cabinet Office. This document does not have legal force and is subject to statutory and other legal requirements.</p>  | <p>There is no reference to election periods within the guidance.</p>  |



Consultation  
Toolkit.docx



Consultation  
Checklist.docx



Lessons learned from  
consultations.docx



Guide to writing  
consultations question

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****20 JUNE 2023**

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**SCRUTINY – IDENTIFICATION OF A TOPIC 2023-24**

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**1. INTRODUCTION**

- 1.1 The objective of the report is to provide the Audit and Scrutiny Committee (the Committee) with an option for a planned approach for the progress and completion of a scrutiny review in the context of the Scrutiny Manual and Framework as part of the Committee's scrutiny role for 2023-24.

**2. RECOMMENDATIONS**

- 2.1 The Audit and Scrutiny Committee is asked to:
- 2.1.2 Consider and approve the planned proposal for work in 2023/24 in relation to the outstanding scrutiny topic, specifically 'fly-tipping' which has been identified in accordance with the agreed process of assessment which is detailed in the Scrutiny Framework and Manual.
- 2.1.3 Approve the one topic, specifically 'Fly-Tipping' having been previously identified and partly completed due to data sets being unavailable and to progress this scrutiny review until it is completed allowing maximum benefit across the authority by adding value and supporting continuous improvement.

**3 DETAIL**

- 3.1 The development of the scrutiny function has progressed successfully and in 2021/22 two scrutiny reviews were undertaken and reported, specifically 'fly tipping' and 'community asset transfer'. However, during the 'fly tipping' review, data which would have been helpful to the review was not available in which to provide a more accurate assessment. It was agreed that such data should be captured by the Council and once this information was available for the Scrutiny Panel to revisit, the information would allow a more complete picture based on new data.
- 3.2 There are no minimum or maximum number of scrutiny reviews that require to be undertaken but such reviews should flow from identifiable 'issues' and where there is a remit taking cognisance of the limitations. A significant amount of resource was used in 2022/23 in the review of the non-statutory public consultations work, which whilst necessary and worthwhile needs to be balanced with available staff resources. In terms of balance in 2023/24 it would be helpful for the Committee to consider that the ongoing work in relation to 'fly-tipping' be concluded and this forms the planned work in relation to Scrutiny for the year, allowing staff resources to be balanced between this type of work, internal audit work and planned training which commences this year for a member of staff normally involved in scrutiny work.
- 3.3 In 2023/24 the Chief Internal Auditor (CIA) plans to engage with the

Committee in identifying scrutiny work for 2024/25 and which can be agreed by the Committee before the start of the next financial year. This process will give the opportunity for all outstanding work to be completed in relation to scrutiny and an advanced plan of areas the Committee may wish to look at as part of the 2024/25 scrutiny year.

***Approach to Scrutiny previously agreed by the Committee– Context and Background***

3.4 In order to provide newer Members of the Committee more context to the development of ‘scrutiny reviews’; a Development Session was held in April 2021 to establish the process to be adopted by the Committee to identify and prioritise potential scrutiny topics and of the overall approach adopted to scrutiny topics which has been a combination of panel reviews and ‘scrutiny lite’ where relevant officers have been asked to present at Committee or at Development Sessions on topics of interest to the Committee.

3.5 In particular the CIA asked the Committee to consider some key questions. These, and the Committee responses, are summarised in the table below.

3.6

| Question  | Committee Response   |
|---|--|
| Should Scrutiny topics originate from all members and senior officers or from Committee members?            | There needs to be a degree of flexibility to change topics and to be able to react quickly to an ever changing environment.<br><br>It is for the Committee to determine scrutiny topics.   |
| If topics originate from the committee should this be via discussions at Committee or development sessions? | We may need to meet as a Committee more often however these could be less formal meetings and held virtually. Further thought can be given to this as to some extent it will depend on the number of emerging topics to be considered for scrutiny.              |
| Do we still need an annual scrutiny plan or should topics for scrutiny ‘emerge’ as the year goes by?        | We don’t need a plan we should allow items to emerge.  |
| Do we still need the detailed prioritisation process?   | The prioritisation process is there as a tool if we need it but we don’t need to use to assess every scrutiny topic.   |
| Do we have the right balance between ‘full blown’ panel approach vs Scrutiny Lite?                          | There has been value in having the full panels but these are resource intensive and we should look to make use of a scrutiny lite approach where appropriate. Once a topic is decided then the Committee can decide what the best Scrutiny approach to adopt is. |

3.7 The CIA has reviewed and updated, where identified, the Scrutiny Framework and Manual in 2022/23 and will do so on an annual basis in order that the



approach to scrutiny work is both focused, appropriate and reflects the best approach taking cognisance of the Committee's views.

#### **4. CONCLUSION**

- 4.1 The scrutiny process continues to evolve as each review is progressed. Members and officers continue to identify areas for improvement and these will be addressed as they are raised. It is planned that one scrutiny topic will be taken forward for inclusion in the scrutiny work plan for 2023-24, specifically, completion of the outstanding work on 'fly tipping'.

#### **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 Risk – None
- 5.7 Customer Service - None

**Paul Macaskill**  
**Chief Internal Auditor**  
**20 June 2023**

**For further information contact:**

Paul Macaskill, Chief Internal Auditor (01546 604108)

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY  
COMMITTEE****CHIEF EXECUTIVE****20 JUNE 2023**

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**PERFORMANCE REPORTING UPDATE**

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**1. SUMMARY**

- 1.1 The Performance and Improvement Framework (PIF) sets out the process for presenting the Council's performance reports.
- 1.2 The paper identifies the performance reporting activities that have occurred during the reporting period and outlines the planned activity for Performance Management and Reporting commencing 2023/24.

It is recommended that the Audit and Scrutiny Committee:

- 1.3 Note that this report presents Council performance reporting arrangements across all services;
- 1.4 Note that the Strategic and Area Committees have responsibility to scrutinise operational performance;
- 1.5 Note and agree the planned activity for Performance Management and Reporting during 2023/24 onwards.

**Pippa Milne**  
**Chief Executive**

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**ARGYLL AND BUTE COUNCIL**

**AUDIT AND SCRUTINY  
COMMITTEE**

**CHIEF EXECUTIVE**

**20 JUNE 2023**

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**PERFORMANCE REPORTING UPDATE**

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**2. SUMMARY**

- 2.1 The Performance and Improvement Framework (PIF) sets out the process for presenting the Council's performance reports. This is under review.
- 2.2 The paper identifies the performance reporting activities that have occurred during the reporting period and outlines the planned activity for Performance Management and Reporting commencing 2023/24.

**3. RECOMMENDATIONS**

It is recommended that the Audit and Scrutiny Committee:

- 3.1 Note that this report presents Council performance reporting arrangements across all services;
- 3.2 Note that the Strategic and Area Committees have responsibility to scrutinise operational performance;
- 3.3 Note and agree the planned activity for Performance Management and Reporting during 2023/24 onwards.

**4. DETAIL**

- 4.1 The Performance and Improvement Framework (PIF) was approved by the Council in September 2017. The PIF sets out the agreed framework for planning, monitoring and reporting the Council's performance.
- 4.2 To support scrutiny of performance by Elected Members and Senior Officers in September 2020 the Performance Excellence Project (PEP) commenced. The following is a summary of the project outputs to date. As part of this project the PIF will be updated to reflect the outcomes of the project.
- 4.3 A suite of 47 high-level indicators aligned to the Corporate Outcomes have been identified and developed. These 47 indicators are known as the Corporate Outcome Indicators – COIs. The full list of the 47 Corporate Outcome Indicators is attached (Appendix 1).

The COIs will be included in the Council Annual Report 2022/23 and presented to this committee prior to publication later in the year.

4.4 Reporting to the 4 Area Committees on a quarterly basis has continued. These reports focus on area level operational performance measures. The format of the report has been amended to fully comply with the Public Bodies Accessibility Legislation.

4.5 Working with the Corporate Programme Co-ordinator, a quarterly reporting template is currently being trialled. The purpose of the template is to ensure a succinct summary of the Transformational, Project and Strategic level activity is captured.

The report will be presented on a quarterly basis to the Executive Leadership Team and Strategic Committees ensuring that quarterly monitoring and reporting will continue on a quarterly basis.

4.6 The Local Government Benchmarking Framework (LGBF) consists of 104 indicators across a range of services. There are 6 indicators that relate to Housing Services. As the Council does not provide this service we contribute to 98 indicators.

The Improvement Service manages the presenting of the data and analysis at a Scotland-wide level. As all Scottish Councils participate we can compare our performance alongside other authorities as well as within a family group of authorities with similar characteristics such as geography or affluence. Importantly this also enables all authorities to explore improvements to service delivery and share good practice.

Out of the 98 indicators 56 (57%) have seen performance improve; 10 (10%) have seen performance remain the same and 32 (33%) have seen performance decline. The data can be explored through the [Improvement Service website](#).

The Improvement Service are currently developing more interactive reporting tools and are also working towards earlier publishing dates for the data. We are actively engaging with the Improvement Service to work with them with a view to improving the integration of the LGBF indicators within our performance reporting framework.

4.7 The long-standing performance management system 'Pyramid' has now been decommissioned as agreed. Working closely with senior officers all valuable historic data has been identified and where appropriate extracted for future use.

- 4.8 Work and upskilling within the PEP team and the Data Advisory Group has progressed well. Particular focus is being given to balancing the richness that this new technology brings with our duties to meet the Public Bodies Accessibility Legislation.
- 4.9 A customer satisfaction survey containing 22 cross-cutting questions and a final 'we welcome your comment' box has been developed and will be issued later this year. The findings of the survey will feed into one of the COIs as well as providing important operational customer satisfaction findings that can be fed into service improvements or re-design.

The survey will be repeated annually to help illustrate an overall picture of customer satisfaction with service delivery.

- 4.10 The Councils' 4-year Change Programme will be delivered through Service Re-design. This long-term programme will be informed through the results of self-assessments. An initial self-assessment pilot has been performed with the results currently being analysed prior to roll-out.
- 4.11 Historically the Service Annual Performance Reviews (SAPRs) have been undertaken during April – July each year. The outputs from these large pieces of work would feed into the Council Annual Report.

To avoid duplication and work efficiently the SAPRs are being replaced with a lighter-touch review. This review will focus on the main strategic successes and challenges facing Services. These outputs will contribute to the Council Annual Report, and going forward outputs from the completed self-assessments as noted above will also be included in the Council Annual Report.

- 4.12 The Council Annual Report 2023/23 will be published later in the year. The report will contain case studies as noted above, the performance of the Corporate Outcome Indicators (COIs), a summary of notable Council activities and challenges and the high-level cross cutting management information such as absence, risks, complaints and budget.
- 4.13 A Council-wide Business Plan is being developed which will align to our Corporate Plan, and the renewed Argyll and Bute Outcome Improvement Plan (ABOIP). This will replace the previous Service Plans which were not renewed for 2022/23.
- 4.14 The above notes the reporting arrangements and schedule of reporting Council activity. The regular reporting of Risks, Complaints and Budget will continue to

be reported to the appropriate committees. It is proposed that going forward the Council 6-Month Performance Report that has been presented at this committee is replaced with the Council Annual Report containing the information as outlined above.

## **5.0 CONCLUSION**

This report updates the Audit and Scrutiny Committee on planned changes to the PIF in line with the Performance Excellence Project and other key strategic aims.

## **6.0 IMPLICATIONS**

6.1 Policy: None

6.2 Financial: None

6.3 Legal: None

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: This report sets out key challenges to the organisation and actions in response to these.

6.8 Customer Service: None

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

- Stuart Green, Corporate Support Manager  
[stuart.green@argyll-bute.gov.uk](mailto:stuart.green@argyll-bute.gov.uk)
- Sonya Thomas, Performance and Improvement Officer  
[sonya.thomas@argyll-bute.gov.uk](mailto:sonya.thomas@argyll-bute.gov.uk)

## **APPENDICES**

Appendix 1 - Suite of 47 Corporate Outcome Indicators

**Pippa Milne, Chief Executive – Argyll and Bute Council**

22 May 2023

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Appendix 1

| Corporate Outcome  | Corporate Outcome Indicator   | Reporting Frequency |
|--|---|---------------------|
| CO1: People live active healthier independent lives                | Maximise distribution of Scottish Welfare Fund  | Quarterly           |
|  | The percentage of clients satisfied that they are better able to deal with their financial problems   | Quarterly           |
|  | Maximise distribution of Discretionary Housing Payment (DHP) fund   | Annually            |
|  | Proportion of care services graded 'good' (4) or better in Care Inspectorate Inspections  | Annually            |
|  | Total percentage of adults receiving any care or support who rated it as excellent or good  | Every 2 Years       |
|  | Total combined percentage carers who feel supported to continue in their caring role  | Every 2 Years       |
| CO2: People will live in safer and stronger communities            | The percentage of groups who say their effectiveness has increased as a result of capacity building by the community development team                               | Annually            |
|  | The information provided to our community groups, individuals and partners is easy to understand  | Annually            |
|  | The total value of compensation settlements for vehicle damage / driver injury as a result of road / bridge faults  | Annually            |
|  | Percentage of adults residents stating their neighbourhood as a 'very good' place to live (CSS – survey owner)  | Annually            |
| CO3: Children and young people have the best possible start        | Provide quality meals within cost margins to all pupils   | Quarterly           |
|  | Increase the percentage of our care experienced young people that have the recommended additional tracking and monitoring plans in place                            | Quarterly           |
|  | Percentage of children living in poverty (After Housing Costs)  | Annually            |
|  | Our percentage rate for attendance across all Argyll and Bute schools is comparable or better than the Scottish national average                                    | Annually            |
|  | Support the increase in the uptake of available Grants, Allowance and Entitlements  | Annually            |
|  | A counselling service is available in all secondary schools   | Annually            |
|  | The percentage of children with no concerns across all domains at 27 to 30 month assessment   | Annually            |
|  | 95% of schools that have a suitability rating of A or B   | Annually            |
| CO4: Education, skills and training maximise opportunities for all | Maintain the percentage of all young people leaving school achieving a positive destination into further education, training or employment                          | Annually            |
|  | Maintain the percentage of successful examination presentations in levels 4 and 5 for Literacy and Numeracy by our senior phase pupils                              | Annually            |
|  | Increase the uptake of wider achievement opportunities which complement traditional SQA awards and offer alternative ways to develop learning, life and work skills | Annually            |
|  | The percentage of Modern Apprentices that go on to a positive destination after completing the Argyll and Bute Council Modern Apprentice Programme                  | Annually            |
|  | The percentage of children that achieve their appropriate developmental milestones by Primary 1   | Annually            |
|  | The percentage pass rate for the National 5 qualification is comparable or better than the Scottish national average  | Annually            |
|  | The percentage pass rate for the National Higher qualification is comparable or better than the Scottish national average   | Annually            |

Appendix 1

|   |   |             |
|---|---|-------------|
| CO5: Our economy is diverse and thriving                        | Percentage of procurement spend spent on local enterprises  | Quarterly   |
|   | Increase the number of community benefits that are delivered through the contracts we award locally | Quarterly   |
|   | Number of business and industry planning applications submitted annually                            | Annually    |
|   | The percentage of homeless applicants who required temporary accommodation this period              | Quarterly   |
|   | Number of new affordable homes completed per annum  | Annually    |
|   | The total number of visitor trips to Argyll and Bute  | Bi-Annually |
|   | The total visitor spend in Argyll and Bute  | Bi-Annually |
|   | Gross Value Added (GVA) per capita  | Annually    |
|   | Unemployment rate - Claimant Count as a %age of working age population                              | Annually    |
|   | Unemployment rate - Claimant Count as a %age of the population (16-24)                              | Annually    |
|   | The number of business gateway start-ups per 10,000 of population                                   | Annually    |
|   | Geographical percentage coverage of 4/5G mobile phone connectivity                                  | Annually    |
| CO6: We have an infrastructure that supports sustainable growth | The percentage of waste that is recycled, composted or recovered                                    | Quarterly   |
|   | The number of tonnes of waste sent to landfill  | Quarterly   |
|   | Percentage of street cleanliness  | Quarterly   |
|   | The percentage of roads in need of maintenance as defined by the annual survey                      | Annually    |
|   | CO2 emissions per capita (per head of total population)   | Annually    |
| Getting it right  | Increase the percentage of all Self-Service and automated contacts                                  | Quarterly   |
|   | Sickness absence days per employee (non-teacher)  | Quarterly   |
|   | Sickness absence days per Teacher   | Quarterly   |
|   | Level of employee satisfaction  | Annually    |
|   | Level of customer satisfaction  | Annually    |
| <b>TOTAL NUMBER OF COIs</b>                                     |   | <b>47</b>   |
| <b>TOTAL FOR COMM SERVICES COMMITTEE</b>                        |   |             |
| <b>25</b>   |   |             |
| <b>TOTAL FOR EDI COMMITTEE</b>                                  |   |             |
| <b>15</b>   |   |             |
| <b>TOTAL FOR P&amp;R COMMITTEE</b>                              |   |             |
| <b>7</b>  |   |             |
| <b>ALL COIs ARE REPORTED TO THE ASC ANNUALLY</b>                |   |             |

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**LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL BULLETIN 2021-22**

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**1. SUMMARY**

- 1.1 The purpose of this report is to present the main issues raised in the recent Local Government Financial Bulletin 2021-22 report by the Accounts Commission and to highlight relevant matters to the Committee.
- 1.2 The report is split into three parts:
- Key messages from Local Government finances for 2021-22.
  - Part 1 considers councils' financial summary for 2021-22.
  - Part 2 considers the financial outlook for councils in 2022-23.
- 1.3 The report's key messages are listed on Page 3 of the document and are summarised as follows:
- Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
  - In 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.
  - An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services and is calculated to be around 23 percent of total revenue funding in 2021/22.
  - Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.
  - Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability.
- 1.4 The report also contains a number of exhibits some of which show where Argyll and Bute Council is placed compared to other Local Authorities.
- Argyll and Bute Council had the smallest budget gap of the 32 Scottish Councils as a proportion of net cost of services for 2021-22 which demonstrates sound financial management.
  - The Council achieved the majority of its savings targets for 2021-22.
  - Similar to most Council's, Argyll and Bute's Useable Reserves increased in 2021-22 placing it seventh highest across Scotland ensuring financial risks or unplanned expenditure are able to be managed.

- The Council's Covid-19 reserves as a percentage of the total general fund balance for 2021-22 were the second lowest in Scotland which demonstrates that the funding provided was required and used timeously.
- Argyll & Bute had the fourth lowest Budget Gap for 2022-23 as a percentage of net cost of services across all 32 councils which again demonstrates sound financial management.

## **2. RECOMMENDATIONS**

- 2.1 The Audit and Scrutiny Committee is asked to consider the contents of the Accounts Commission report.

## **3. IMPLICATIONS**

- |       |                        |       |
|-------|------------------------|-------|
| 3.1   | Policy -               | None. |
| 3.2   | Financial -            | None. |
| 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 -                 | None. |
| 3.8   | Customer Services -    | None. |

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**30 May 2023**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

For further information contact Anne Blue, Head of Financial Services  
[anne.blue@argyll-bute.gov.uk](mailto:anne.blue@argyll-bute.gov.uk)

Appendix 1 - Audit Scotland Local Government in Scotland Financial Bulletin 2021-22.

## Local government in Scotland

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# Financial bulletin 2021/22



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
January 2023



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## **Audit team**

The core audit team consisted of: Blyth Deans, Adam Bullough, Chris Lewis and Martin Allan under the direction of Carol Calder.

# Key messages

## Local government finances for 2021/22

- 1** Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 2** In 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.
- 3** In 2021/22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.
- 4** An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.

- 5 Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

## **Outlook for local government finances**

- 6 Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.
  - 7 Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.
-



# About this report

- 1.** This bulletin provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis.
- 2.** The Accounts Commission's wider local government overview report will be published in May 2023 and will include further analysis of the financial information presented in this bulletin along with wider commentary on the financial and performance challenges facing local government.
- 3.** Our primary sources of information for the financial bulletin are councils' 2021/22 audited accounts, including management commentaries and the 2021/22 external annual audit reports, where available. We have supplemented this with data collected as part of a data set request issued to local auditors in October 2022.
- 4.** The Covid-19 pandemic has again created challenges that have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts did not require certification until 30 November 2022. Ten sets of accounts were certified by the revised deadline, with a further 16 signed off thereafter. As at 20 December 2022, five councils' accounts are still to be certified; therefore, analysis in this report is based on 27 sets of audited accounts and five sets of unaudited accounts.
- 5.** We refer to 'real-terms' changes in this bulletin. This means that we are showing financial information from past and future years at 2021/22 prices, adjusted for inflation so that they are comparable. To make that comparison we use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish governments when analysing public expenditure. As a result of the way that GDP is calculated, Covid-19 resulted in volatility across 2020/21 and 2021/22. To compensate for this, and to provide meaningful comparisons between years, we have used an average GDP growth rate across 2020/21 and 2021/22 in our calculations to separate inflation (changes in prices) from changes in outputs and those largely attributable to Covid-19 spending.
- 6.** We also refer to figures in 'cash terms' in this bulletin. When we use this term it means that we are showing the actual cash or money paid or received.

# 1. Councils' financial summary 2021/22

## Total revenue funding and income

**7.** Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms) ([Exhibit 1, page 7](#)). The majority (55 per cent) of this funding comes from the Scottish Government, with the remaining balance from other sources, see Exhibit 1 for a full breakdown.

**8.** Councils have received a range of new and additional funding amounting to £1.3 billion in 2020/21 and £0.5 billion in 2021/22 to support them in dealing with the financial impacts of the Covid-19 pandemic. This additional Covid-19 funding has decreased as a proportion of overall council funding as the pandemic has progressed, from six per cent of total funding received in 2020/21 to three per cent in 2021/22.

**9.** The Scottish Government also provided councils with £90 million to allow them to freeze council tax levels in 2021/22.

**10.** Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.

### **The average Council Tax collection rate across Scotland increased during 2021/22. It is now more in line with pre pandemic levels**

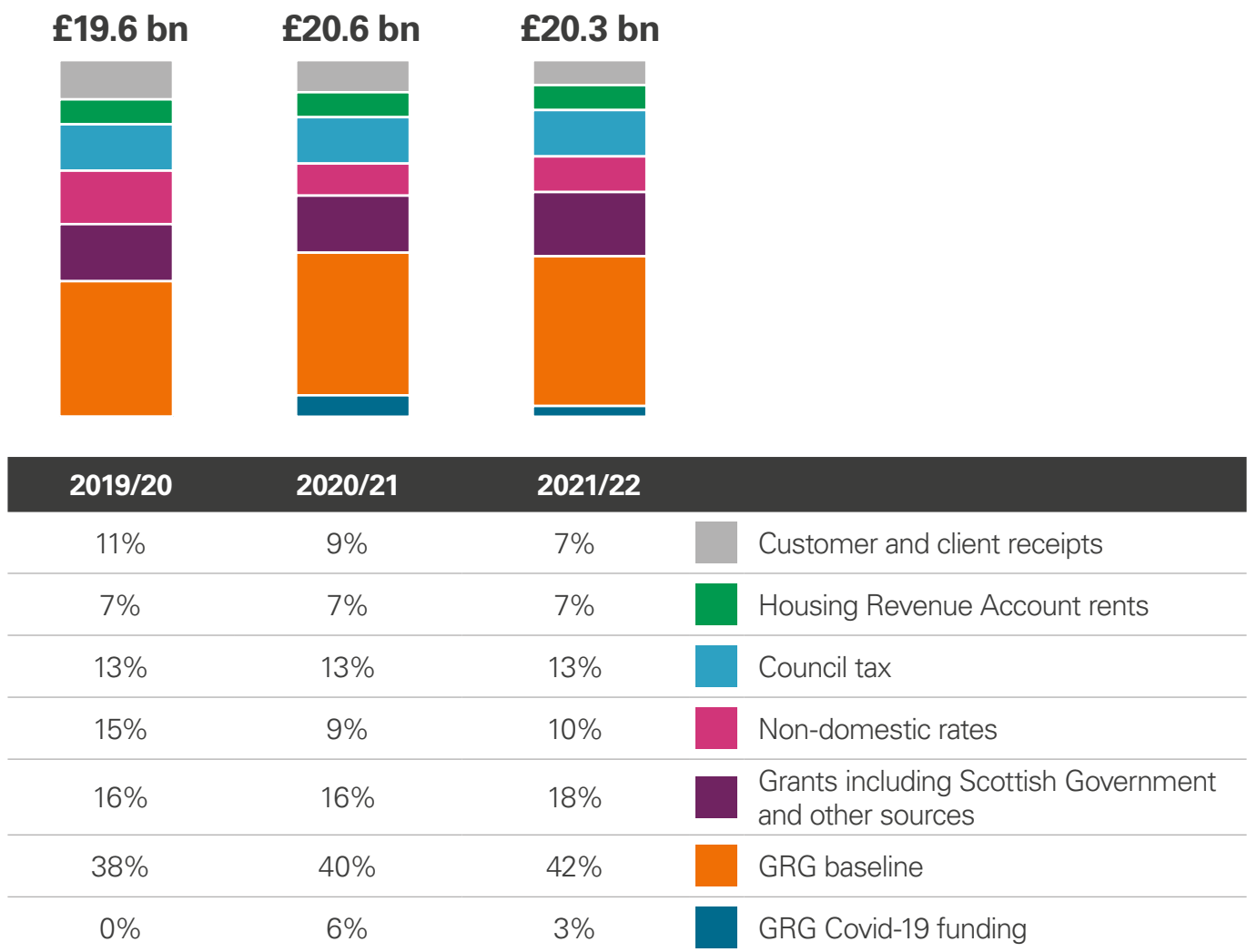
**11.** The in-year collection rate (for 2021/22 charges) increased from an average of 94.8 per cent in 2020/21 to 95.7 per cent, which is broadly in line with pre-pandemic collection rates (95.8 per cent in 2019/20). Collection rates rose across all councils apart from Midlothian which remained static and Orkney which fell by 2.5 per cent. The total amount of council tax billed, taking account of council tax reductions, was £2.7 billion. Of this total, £2.6 billion was collected by 31 March 2022.

Revenue funding and income saw a 3 per cent real terms increase in 2021/22, once Covid-19 related funding is excluded

## Exhibit 1.

### Sources of funding and income 2019/20 and 2021/22

Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).



Source: Audited financial statements 2019/20, 2020/21 and 2021/22

## Scottish Government funding

**12.** In 2021/22 councils received total revenue funding of £12.1 billion from the Scottish Government. This consisted of General Revenue Grant funding of £8.7 billion; Non-Domestic Rates distribution (NDR) of £2.1 billion, specific grants of £0.8 billion and non-recurring Covid-19 funding of £0.5 billion. Total revenue funding to councils from the Scottish Government increased by 1.1 per cent in cash terms and decreased by 1.6 per cent in real terms in 2021/22 compared to the previous year ([Exhibit 2, page 8](#)).

## Exhibit 2.

### Changes in Scottish Government revenue funding in 2021/22

Scottish Government revenue funding fell by 1.6 per cent in real terms in 2021/22, although when non-recurring Covid-19 funding is taken out there is an increase of 5.3 per cent.

|                                  | 2020/21<br>£ million | 2021/22<br>£ million | Cash<br>change<br>% | Real terms<br>change<br>% |
|----------------------------------|----------------------|----------------------|---------------------|---------------------------|
| General revenue grant            | 8,099                | 8,682                | 7.2                 | 4.4                       |
| Non-domestic rate income         | 1,868                | 2,090                | 11.9                | 8.9                       |
| Specific revenue grants          | 710                  | 776                  | 9.3                 | 6.5                       |
| Non-recurring Covid-19 funding   | 1,254                | 515                  | -58.9               | -60.0                     |
| <b>Total revenue funding</b>     | <b>11,931</b>        | <b>12,063</b>        | <b>1.1</b>          | <b>-1.6</b>               |
| Total revenue excluding Covid-19 | 10,677               | 11,549               | 8.2                 | 5.3                       |

Source: Finance circulars and Scottish Government budget documents

**13.** When non-recurring Covid-19 funding is excluded, the increase in funding from the previous year is 8.2 per cent in cash terms and 5.3 per cent in real terms.

### An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services

**14.** Within the £12.1 billion Scottish Government revenue funding, an element is identified by the Scottish Government as specific revenue grants, set out in the annual settlement to councils. This ring-fenced funding, totalling £0.8 billion in 2021/22 (£0.7 billion in 2020/21), must be used to fund identified policies, such as:

- Early Learning and Childcare Expansion (£546 million)
- Pupil Equity Fund (£120 million)
- Criminal Justice Social Work (£86 million).

**15.** In addition to specific revenue grants, other funding is directed for national policy initiatives, though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.

**16.** Collectively, ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). £1.61 billion of this was allocated at the start of the year with a further £1.04 billion allocated throughout the year through budget revisions ([Exhibit 3, page 10](#)). A large amount of this was to support elements of education and social care service provision.

### **2021/22 funding levels from the Scottish Government to local government (excluding Covid-19 funding) increased in real terms for the first time since 2015/16 and converged with other Scottish Government revenue funding**

**17.** In previous overview reports, we have commented that Scottish Government funding to local government has not kept pace with relative increases in the levels of funding allocated to other parts of the Scottish Budget. Previous overview reports have also highlighted that for many years now councils have had to make efficiency savings, redesign services, and use reserves to meet budget gaps arising from service demand and budget pressures.

**18.** Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent (in real terms) whereas Scottish Government revenue funding to other parts of the Scottish Government budget increased by a significantly higher figure of 27.2 per cent over the same period. This, and previous differences in relative funding, has largely arisen as a result of Scottish Government policy to protect funding for the NHS.

**19.** Over the period 2013/14 to 2021/22, after two years of relatively static funding local government saw its real-terms revenue funding fall between 2015/16 and 2020/21 (excluding Covid-19 funding) with 2021/22 being the first year of real-terms growth (excluding Covid-19 funding) since 2015/16. In 2021/22 funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.

**20.** The large increases in the Scottish budget in 2020/21 and 2021/22 were a result of Covid-related **Barnett consequentials**. Given these were exceptional sources of funding we have analysed the underlying Scottish Government and local government revenue funding position with Covid-19 funding excluded ([Exhibit 4, page 11](#)). Under this analysis, over the same period, Scottish Government revenue funding to local government increased by 1.6 per cent and Scottish Government revenue funding to other parts of the Scottish Government budget increased by 0.8 per cent.


#### **Barnett consequentials**

The Barnett formula is the way the UK Government ensures that a share of additional funding – allocated only to England – is provided fairly to Scotland, Wales, and Northern Ireland. The formula delivers a fixed percentage of additional funding allocated in England to services which are devolved. Each devolved administration can allocate these funds as it believes appropriate.

## Exhibit 3.

### Ring-fenced elements of Scottish Government revenue funding

The proportion of funding which is ring-fenced and directed or provided for specific services has increased, with around £1 billion allocated during the year in 2021/22.

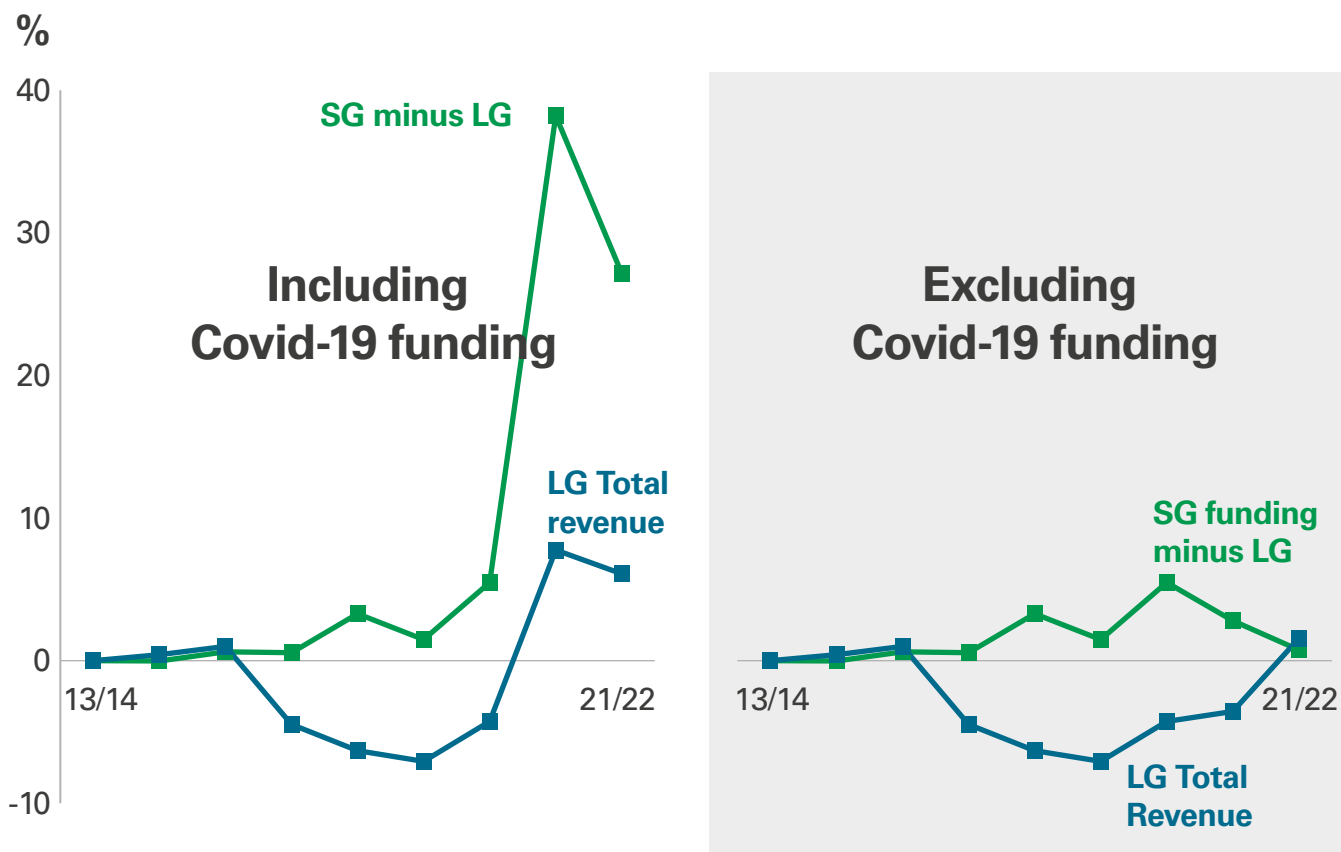
|  Source | 2020/21<br>£ million | 2021/22<br>£ million |
|--|----------------------|----------------------|
| Specific Revenue Grant from finance circular   | 709.8                | 775.9                |
| Measures outlined in initial circular narrative  | 606.3                | 347.4                |
| Transfers from other portfolios in Scottish Budget                                       | 188.1                | 488.1                |
| Redeterminations in further circulars  | 48.0                 | 544.8                |
| Transfers from other portfolios in Autumn budget revision                                | 350.5                | 395.7                |
| Transfers from other portfolios in Spring budget revision                                | 42.9                 | 104.0                |
| <b>Total ring-fenced/expected to be spent on specific services</b>                       | <b>1,945.5</b>       | <b>2,655.8</b>       |
| Total revenue funding  | 10,667.8             | 11,549.0             |
| <b>Percentage ring-fenced/expected to be spent on specific services</b>                  | <b>18.2%</b>         | <b>23.0%</b>         |

Source: Scottish Local Government Finance Circulars and budget documents. Some elements of funding appear in circulars and Scottish Budget so have been removed to avoid double counting.

## Exhibit 4.

### A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent when Covid-19 funding is included, and by 1.6 per cent when Covid-19 funding is excluded.



Source: Finance circulars and Scottish Government budget documents

## Council budgets and outturn 2021/22

### In 2021/22, budget gaps were largely consistent with previous years

**21.** In 2021/22, Scotland's 32 councils had a budgeted net expenditure of £15.2 billion. At the time of budgeting, councils identified **budget gaps** totalling £0.4 billion (three per cent), which was broadly consistent with the gap identified in the two previous years (£0.5 billion in 2020/21 and 2019/20). The budget gap at a council level varied between one per cent and 22 per cent ([Exhibit 5, page 12](#)).

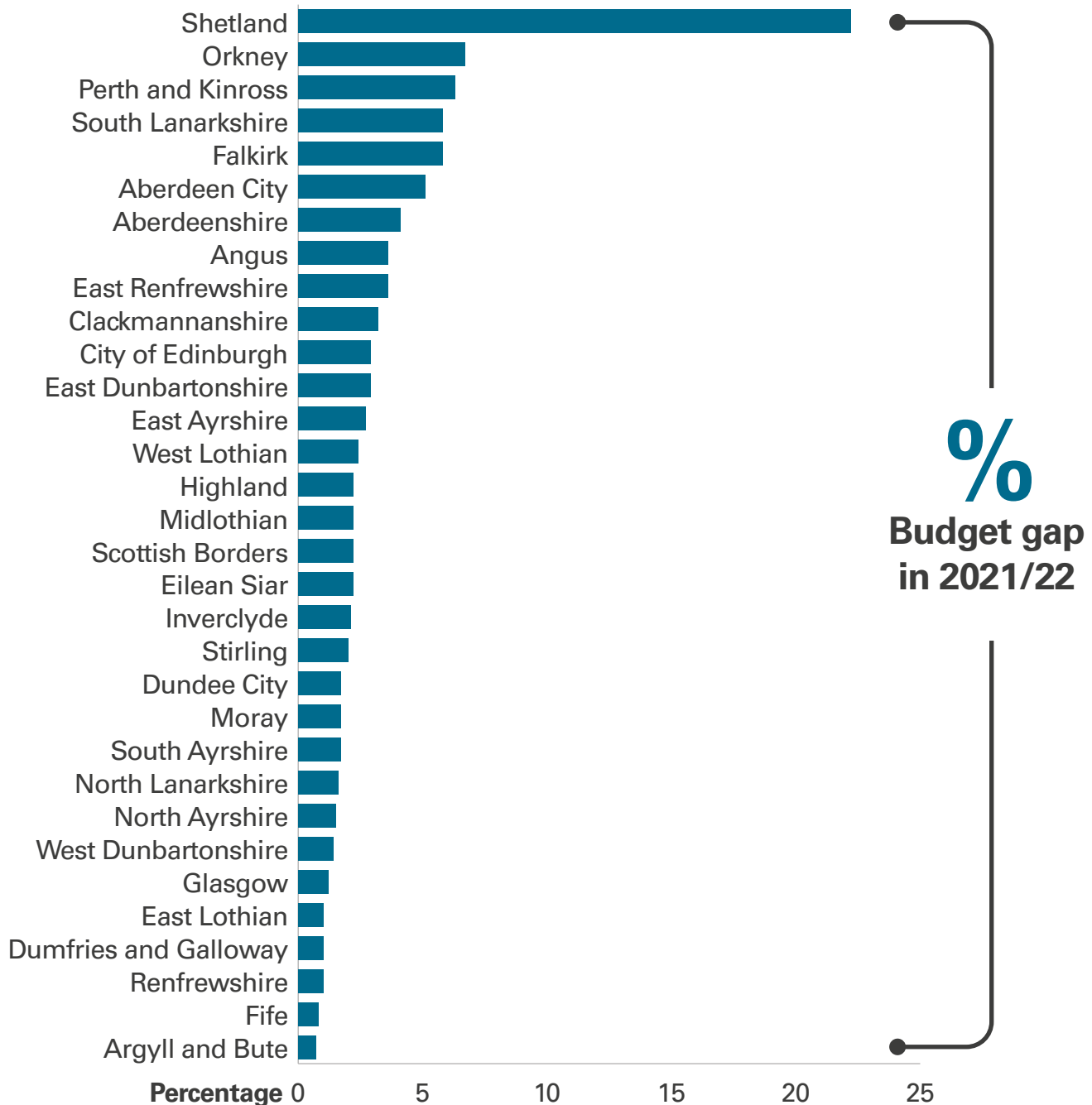
#### Budget gap

This describes the difference between anticipated expenditure and revenue at the time of setting the budget.

## Exhibit 5.

### Budget gap as a proportion of net cost of services for all 32 councils in 2021/22

The budget gap at a council level varied between one per cent and 22 per cent.



Source: Council budget papers, Auditor data return



**22.** Recurring savings were expected to contribute 37 per cent of the £0.4 billion budget gap in 2021/22 along with Scottish Government funding to allow councils to freeze council tax (20 per cent), use of reserves (17 per cent), non-recurring savings (eight per cent), financial flexibilities (four per cent) and a range of other specific actions (12 per cent).

### **Savings performance improved in comparison to previous years**

**23.** Councils had set themselves savings targets totalling £0.2 billion in 2021/22. Ninety-four per cent of these savings were achieved (84 per cent in 2020/21), with 76 per cent on a recurring basis. Fourteen councils achieved their savings targets in full on a recurring basis, whereas five councils had over half of their savings being delivered on a non-recurring basis. Four councils had no savings targets in place for 2021/22 ([Exhibit 6, page 14](#)).

### **Total usable reserves increased by £0.3 billion to £4.1 billion in 2021/22**

**24.** In 2021/22, almost three quarters of councils (23) reported an increase in usable reserves. This compares to all 32 councils reporting an increase in 2020/21, largely as a result of additional Covid-19 funding carried forward. Total usable reserves now stand at £4.1 billion, representing an increase of £0.3 billion (seven per cent) on the previous year. This compares to an increase of £1.2 billion in 2020/21 compared to 2019/20. [Exhibit 7 \(page 15\)](#) details the increase in councils' usable reserves during 2021/22.

**25. General fund reserves**, excluding Housing Revenue Account (HRA), have increased by £0.3 billion to £2.7 billion. The vast majority of this relates to increases in committed balances (that is reserves have been allocated for a specific purpose) which increased by £0.3 billion to £2.3 billion in 2021/22, and is more than half of the total usable reserves balance. Uncommitted reserves (money not earmarked for a specific purpose) have decreased from £0.5 billion in 2020/21 to £0.4 billion in 2021/22. These reserves are used to mitigate the financial impact of unforeseen circumstances. [Exhibit 8 \(page 16\)](#) shows the nature and value of usable reserves in 2021/22.

### **Councils have improved the way in which Covid-19 funds are disclosed in their accounts, but the level of detail varies**

**26.** Elements of Covid-19 funding that have been carried forward in general committed and uncommitted reserves total £0.6 billion, 23 per cent of the total general fund balance. However, at a council level this varies between 49 per cent of the total general fund balance (Moray and West Lothian) to eight per cent (Dumfries and Galloway), ([Exhibit 9, page 17](#)).

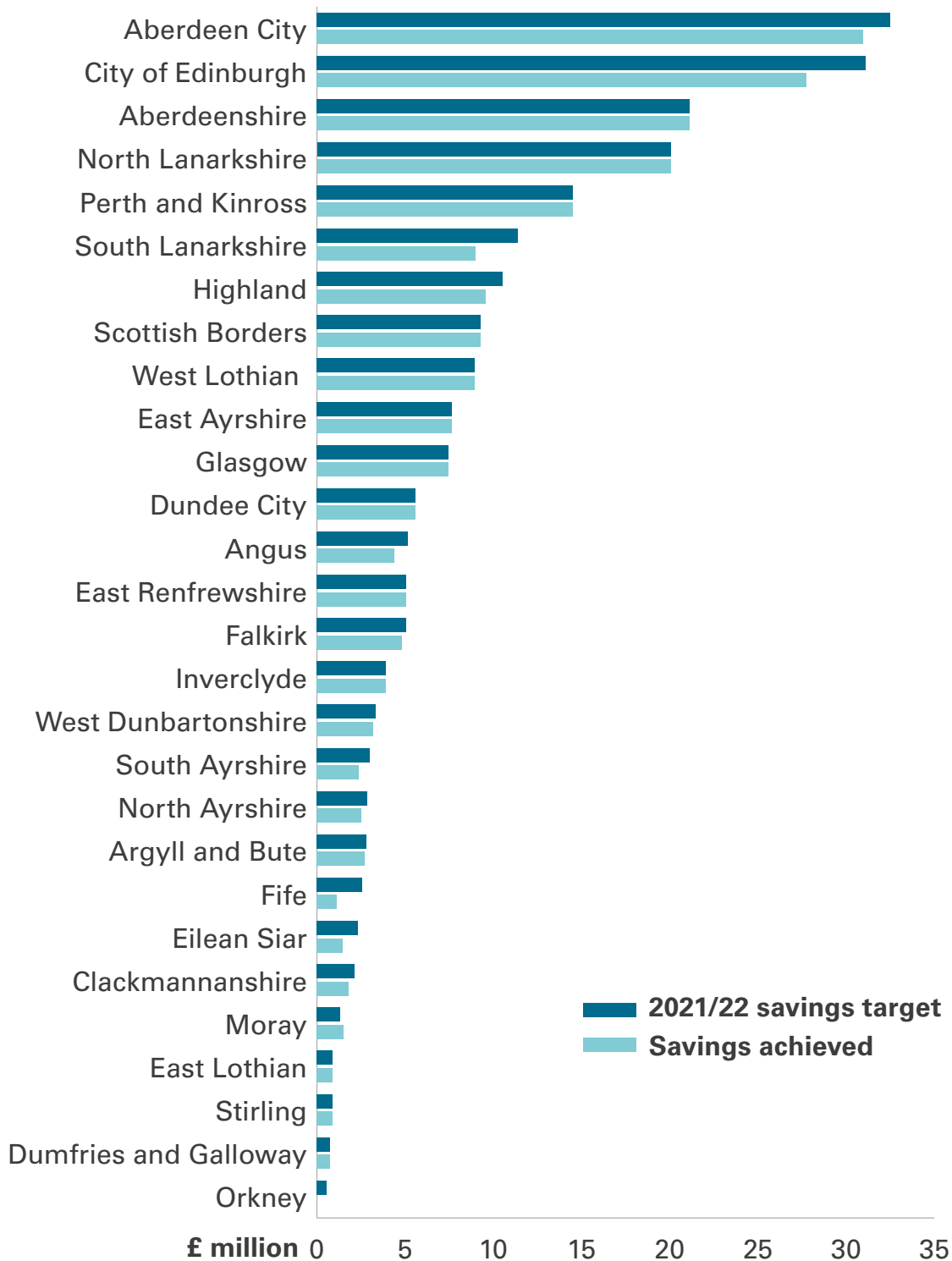
#### **General fund reserves**

This is the main revenue account which summarises the cost of all services provided by a council.

## Exhibit 6.

### Councils' savings targets compared with savings achieved in 2021/22

Fourteen councils achieved their savings targets.



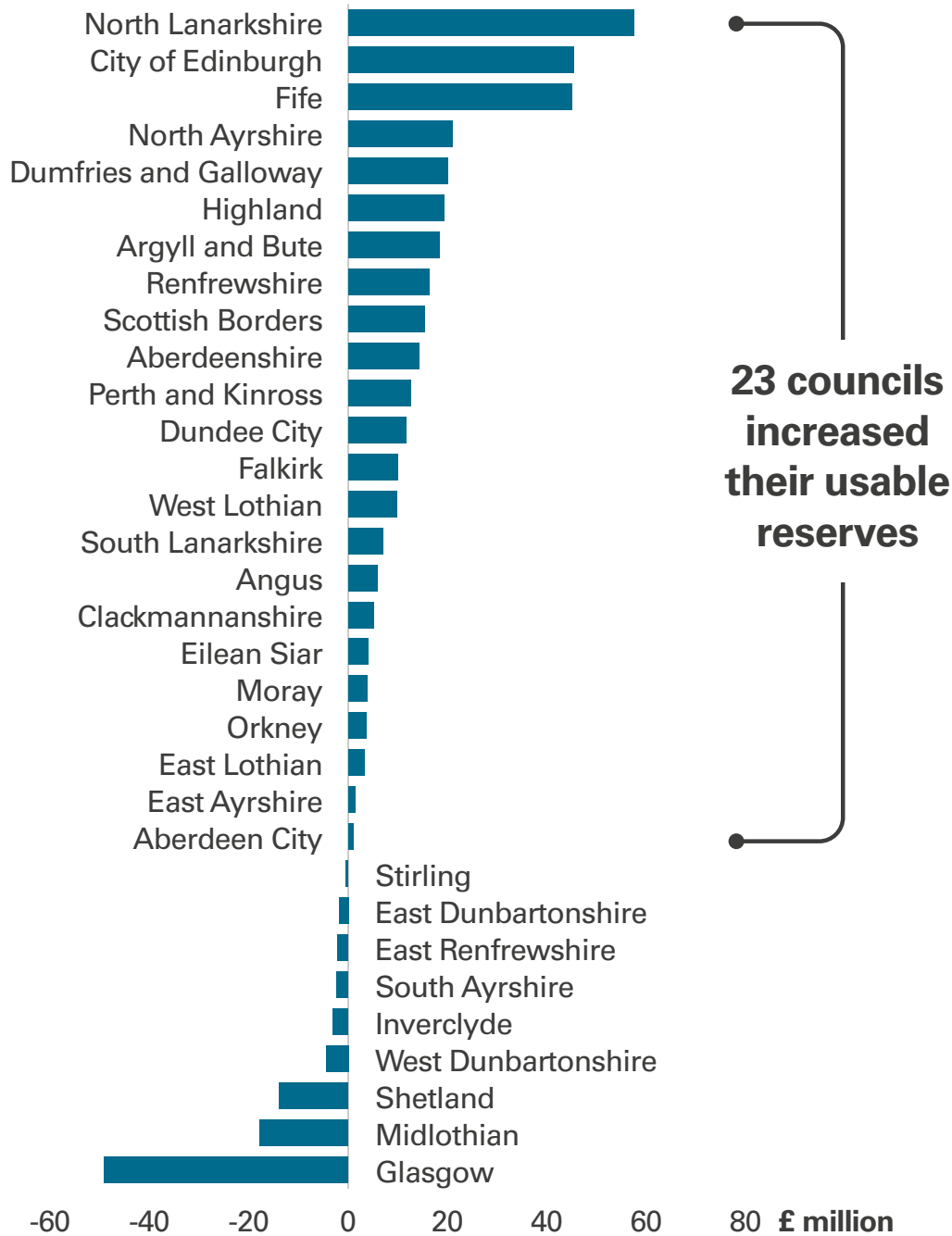
Note: Excludes East Dunbartonshire, Midlothian, Renfrewshire and Shetland due to not having savings targets in place for 2021/22.

Source: Audited financial statements 2021/22

## Exhibit 7.

### Changes in councils' usable reserves during 2021/22

Twenty-three councils increased their usable reserves.

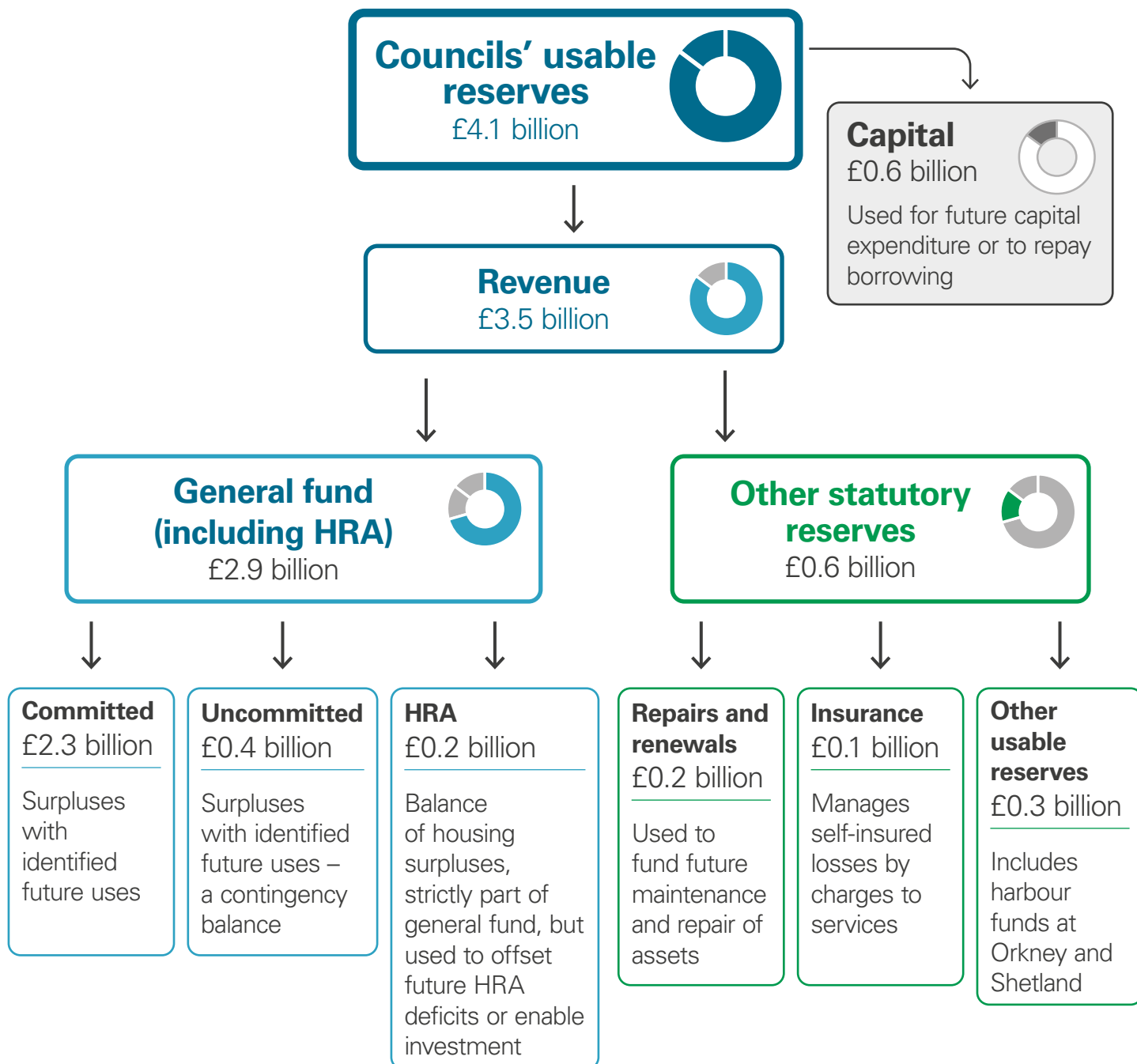


Source: Audited financial statements 2021/22

## Exhibit 8.

### The relative size and nature of councils' usable reserves

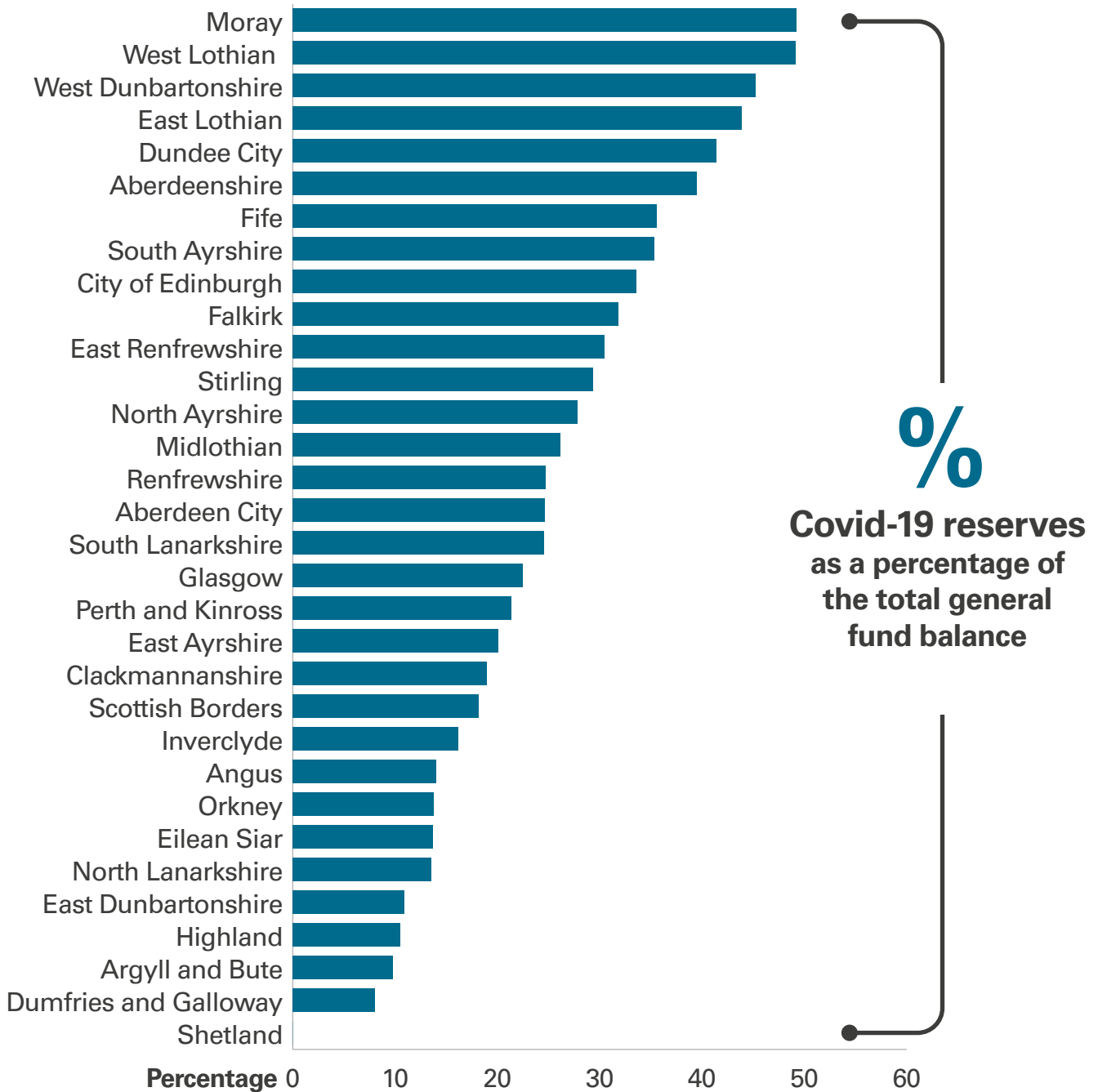
In 2021/22, usable reserves held by councils totalled £4.1 billion.



Source: Audited financial statements 2021/22

## Exhibit 9.

### Total Covid-19 reserves as a percentage of the total general fund balance for 2021/22



Note: Excludes Shetland as they do not have any Covid-19 related reserves carried forward.

Source: Audited financial statements 2021/22

**27.** In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that within the general fund, councils' accounts had not always clearly identified the element arising from Covid-19 funding and recommended that elements of Covid-19 funding that are being carried forward into general reserves should be clearly identified. Councils have improved the way in which Covid-19 reserves are disclosed in their accounts. However, this varies, with nine councils only providing a single line narrative and the remaining councils providing varying levels of detail as to how the funds have been allocated (eg, education, housing, business support, mental health and equalities). Eilean Siar and Aberdeen City had the most detailed breakdowns.

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## Capital

### Capital expenditure increased in 2021/22 though was still below the level in 2019/20

**28.** Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion ([Exhibit 10, page 19](#)). Capital spending in 2019/20 was £3.6 billion.

**29.** Twenty-six councils (81 per cent) reported higher capital expenditure in 2021/22 than in 2020/21. Only six councils spent less on their capital programmes in 2021/22 than 2020/21.

**30.** The main sources of capital financing are still government grants. These were largely unchanged from 2020/21 (£1.1 billion in 2021/22 compared to £1.2 billion the previous year), however, the overall increase in capital expenditure means that an increasing amount is financed by borrowing.

### Covid-19, inflationary costs and shortages in construction materials had an impact on capital projects

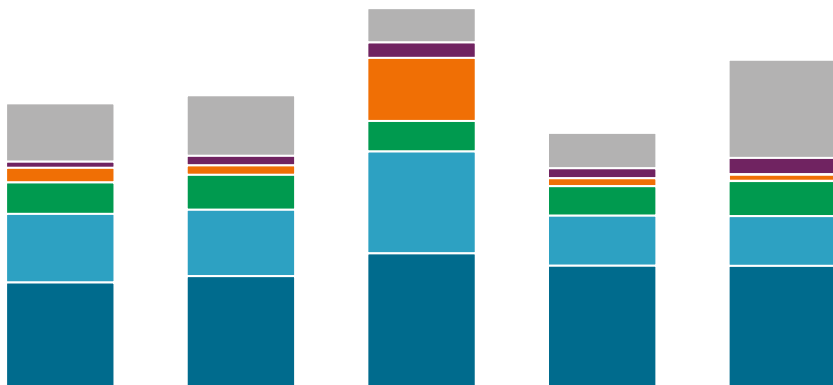
**31.** Auditors in councils reported slippage against capital projects and cited Covid-19, inflationary costs and shortages in construction materials as reasons for this. If these issues persist they will present risks to councils' capital programmes which are a necessary component of modernising services to deliver improved outcomes for local communities. There were some exceptions, for example in West Lothian where expenditure on capital was £141.3 million, an increase of £14.8 million against its original budget. Acceleration of £13.1 million for new developer-funded schools at Winchburgh was the most notable example.

Capital spending across Scotland increased in 2020/21 to £3.1 billion

## Exhibit 10.

### Capital expenditure analysed by sources of finance 2017/18 to 2021/22

Capital expenditure increased in 2021/22 although an increasing proportion was funded through an increase in borrowing.



| 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      |  |
|--------------|--------------|--------------|--------------|--------------|--|
| 21%          | 21%          | 9%           | 14%          | 30%          | An increase in borrowing                                 |
| 2%           | 3%           | 4%           | 4%           | 5%           | Other contributions and Public Private Partnership (PPP) |
| 5%           | 3%           | 17%          | 3%           | 2%           | Capital receipts   |
| 11%          | 12%          | 8%           | 12%          | 11%          | Capital Funded from Current Revenue (CFCR)               |
| 24%          | 23%          | 27%          | 20%          | 15%          | Internal Loans fund repayments available to reinvest     |
| 37%          | 38%          | 35%          | 48%          | 37%          | Government grants  |
| <b>2,687</b> | <b>2,749</b> | <b>3,605</b> | <b>2,408</b> | <b>3,099</b> | <b>Total expenditure (£ million)</b>                     |

Source: Audited financial statements 2017/18 – 2021/22

Further information about how councils may borrow money to fund capital expenditure can be found at [Local government borrowing: factsheet](#).

**32.** Slippage against capital projects was noted at some councils in 2021/22:

- **Dundee City Council:** Capital works costing £57 million were completed in 2021/22 against a budget of £117 million, representing slippage of 51 per cent. This was highlighted as a risk to the council delivering against strategic objectives.
- **East Dunbartonshire Council:** General services capital spending was £69 million compared with an initial budget of £96.3 million, which was subsequently revised downwards to £76.1 million for projects impacted by Covid-19. The main area of slippage was related to a new additional support needs school (£3.5 million) which has been rescheduled to 2022/23. Housing capital expenditure totalled £15.9 million against a revised budget of £17.5 million.
- **East Lothian Council:** The general services capital budget for 2021/22 was £97.7 million. A significant element of the £32.7 million underspend has been reprofiled to 2022/23. In addition to the issues and challenges arising from Covid-19, supply chain problems and the war in Ukraine were reported as having increased certain costs as well as the council's risk exposure for capital investment. The HRA capital budget for 2021/22 was £29.7 million. The overspend of £1.2 million reflects accelerated new build council housing, the costs of which have been partially offset by additional grant funding above the budgeted figure.

### **Net debt has increased by £0.2 billion since 2020/21**

**33.** Total net debt (total debt less cash and investments) has increased across councils by £0.2 billion to £16.4 billion. Fifteen councils have increased their net debt in 2021/22. This compares to eight councils in 2020/21.

**34.** Councils' total debt has increased by £0.3 billion to £19 billion; this may be related to the increased need to borrow to fund capital expenditure, with 19 out of 32 councils having increased long-term borrowing from the previous year and 15 councils with increased short-term borrowing compared to the previous year.



## Local government pension funds

### 2021/22 Pension Fund investment returns, although largely positive, were 62 per cent lower than in the previous year

**35.** Ten of the 11 main Scottish Local Government Pension Funds experienced positive investment returns in 2021/22. Orkney Islands Pension Fund recorded a loss on investment activity, representing 2.7 per cent of the net investment assets brought forward into 2021/22.

**36.** Although Pension Fund investment returns were largely positive, net returns on investments were 64 per cent lower than in 2020/21 (in cash terms). The net returns on investments, as a proportion of the brought forward net investment assets total, varied between a reduction of 2.7 per cent and an increase of 11 per cent in individual funds.

### Scottish Pension Fund's funding positions have generally improved since the last triennial valuation

**37.** Scottish Pension Funds recorded a cumulative **funding level** of 104 per cent, ranging from 92 per cent to 118 per cent, per the triennial actuarial review figures as at 31 March 2020. At the time of this valuation, four of the 11 Scottish Local Government Pension Funds recorded liabilities as being greater than assets. Although four of the funds recorded liabilities in excess of assets, the 2020 position represented an improvement since the 2017 triennial valuation.

**38.** Auditors reported that the Covid-19 pandemic had a significant impact on Scottish Pension Fund's funding position and asset valuations, as indicated in the **triennial valuation** as at 31 March 2020. Auditors have indicated that since the valuation, asset values have largely recovered.

**39.** Preparation is under way for the next triennial valuation covering the period to 31 March 2023. Any changes to employer contributions as a result of the next valuation will not take effect until 2023/24.

#### Funding Level

This describes the pension fund assets as a proportion of the liabilities, arising from pension benefits payable.

#### Triennial valuation

Every three years an actuarial valuation is carried out to monitor the assets of the fund against the liabilities of the pension benefits payable.

## 2. Councils' financial outlook

### Councils are having to deal with a number of significant financial challenges and will need to make some difficult decisions with their spending priorities

**40.** In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that the longer-term funding position for councils remained uncertain, with significant challenges ahead as councils continued to manage and respond to the impact of Covid-19 on their services, finances and communities.

**41.** At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now having to deal with the cost of living crisis and inflationary pressures. Councils consistently identified short- and long-term cost pressures in their initial 2022/23 budget papers, including:

- pay inflation and living wage costs
- costs associated with Covid-19 recovery
- energy inflation
- non-pay inflation (including cost of materials, construction costs and contract inflation)
- demand for and price sensitivity of chargeable services and the related impact on income from fees and charges.

**42.** Common themes across management commentaries from councils unaudited accounts for 2021/22 are that councils continue to face significant financial challenges going forward and will need to deliver consistent recurring savings and use reserves to deal with the immediate and on-going financial impacts. They also note that elected members will need to make increasingly difficult choices, which could include having to consider service reductions. Further commentary and analysis on the future funding position of councils and the associated challenges will be included in the wider local government overview being published in May 2023.

[Local government in Scotland: Financial overview 2020/21](#)

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### **The future funding settlements set out in the Scottish Government's Resource Spending Review reflects flat cash funding settlements for 2022/23 to 2025/26**

**43.** In May 2022 the Scottish Government published the first multi-year Resource Spending Review (RSR) in Scotland since 2011, outlining its resource spending plans to the end of this Parliament in 2026/27. The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The estimated increase in local government funding over this period would be £0.1 billion. This reflects flat cash funding levels for 2022/23 to 2025/26, with a small uplift in 2026/27. However, the outlook of the RSR may look different after the Scottish Government's 2023/24 budget.

**44.** The Fraser of Allander Institute [reported](#) in May 2022 that the RSR provides welcome insight on government priorities, and highlights a scale of challenges facing public services. However, spending plans are expressed at 'level 2' for the four years of the Spending Review period. That means financial information is at a less detailed level than public bodies would ideally like for planning purposes. It also noted that at the time of their review the RSR implies that the local government budget will decline by seven per cent in real terms between 2022/23 and 2026/27. The Convention of Scottish Local Authorities (COSLA) has expressed concerns that a flat cash settlement will result in fewer jobs and cuts to services.

**45.** Following the RSR, in December 2022, the Scottish Government presented their [proposed spending and tax plan for 2023/24](#) to the Scottish Parliament. In this updated position, the Scottish Government sets out that there will be an increase of over £570 million in additional revenue and capital funding available to councils for 2023/24. They also confirmed that they would not seek to freeze or set a cap on council tax increases, giving council's full flexibility to vary rates locally.

**46.** The recent Scottish Parliament Information Centre (SPICe) [publication](#) reports that, once adjustments are made for the in-year funding councils will receive for free school meals, the additional funding for 2023/24 was just under £640 million. SPICe report that this will represent a £223 million real terms increase in funding, based on 2022/23 prices.

**47.** COSLA had previously estimated a [£1 billion gap](#) for councils in 2023/24 and argue that the uplift amounts to £71 million once national policy commitments are taken into account. They welcome the flexibility to set their own council tax rates but state that the scope to do this will be limited due to the cost of living crisis.

## Budgets for 2022/23

### Councils intend to bridge the budget gap of £0.4 billion for 2022/23 with planned savings and reserves, but the reliance on non-recurring reserves is not sustainable in the medium to long-term

**48.** At the time of budgeting, councils identified budget gaps totalling £0.4 billion in real terms, which represented three per cent of the 2021/22 net cost of services. This is consistent with the gap identified in the previous years. The 2022/23 estimated budget gap as a proportion of 2021/22 net cost of services varied across councils from an anticipated surplus of 0.2 per cent to a gap of 23 per cent ([Exhibit 11, page 25](#)).

**49.** The majority of the estimated budget gap for 2022/23 was planned to be funded through the following ([Exhibit 12, page 26](#)):

- agreed recurring savings (36 per cent)
- use of reserves (32 per cent)
- increases in Council Tax (16 per cent).

**50.** Sixty-six per cent of councils intended to use reserves to help bridge the 2022/23 budget gap, however, the use of reserves is not sustainable in the medium to long term. The achievement of recurring savings and a movement away from the reliance and use of non-recurring reserves will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

## 2022/23 funding settlement

### Scottish Government revenue funding in 2022/23 decreased by 0.1 per cent in real terms when non-recurring funding elements are excluded

**51.** In [paragraphs 43 to 47](#) we have outlined the longer-term Scottish Government spending plans which were set out in the RSR. The initial local government revenue settlement from the Scottish Government in 2022/23, before taking into account non-recurring elements, increased by 3.9 per cent (cash terms) from 2021/22 to £12.0 billion. This was a real terms decrease of 0.1 per cent ([Exhibit 13, page 27](#)).

**52.** Non-recurring Covid-19 funding provided to councils in 2021/22 was £0.5 billion, the last year of this funding. In 2022/23, an additional £0.25 billion has been allocated to reduce council tax bills.

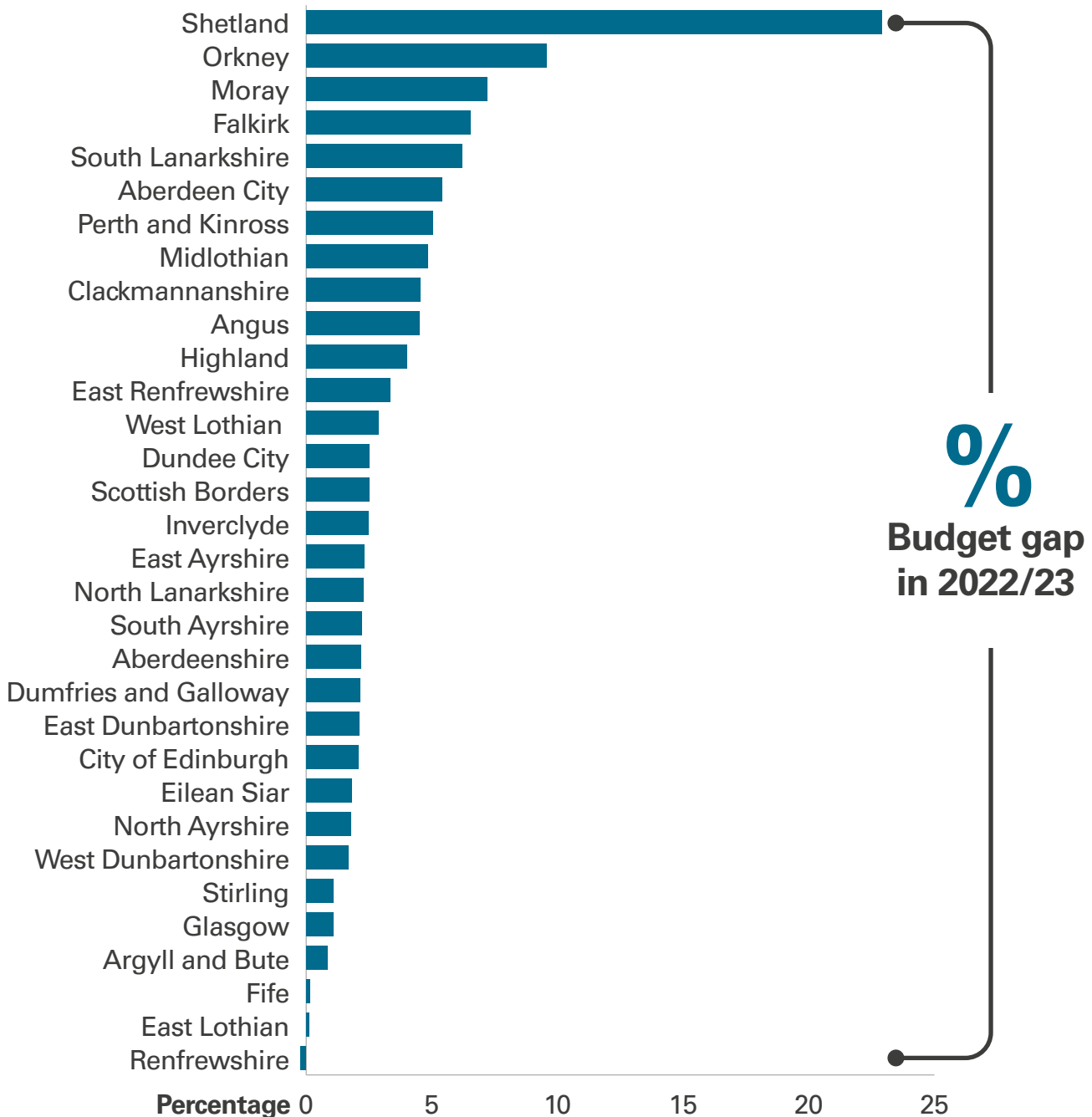
**53.** Total revenue funding in 2022/23 was £12.3 billion. This is a 2.4 per cent real-terms reduction on the 2021/22 position.

Councils identified budget gaps totalling £0.4 billion (3%) in real terms, of the 2021/22 net cost of services

## Exhibit 11.

### Budget gap as a proportion of net cost of services for all 32 councils in 2022/23

The budget gap at a council level varied between a 0.2 per cent surplus and a 22 per cent gap.

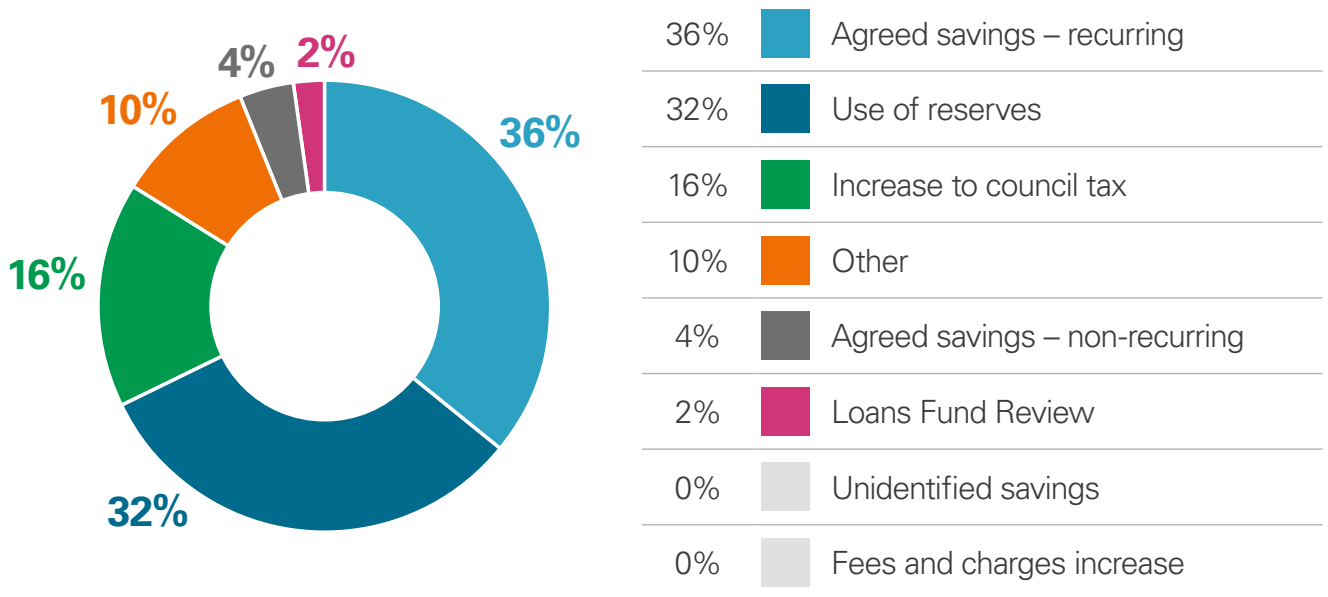


Source: Council budget papers, Auditor data returns

## Exhibit 12.

### Aggregate analysis of all 32 councils' proposed ways to meet the budget gap for 2022/23

The majority of the estimated budget gap for 2022/23 was planned to be funded through agreed recurring savings, use of reserves and increases in Council Tax.



Source: Auditor data returns

## Exhibit 13.

### Changes in Scottish Government initial revenue funding from 2021/22 to 2022/23

Total revenue funding will fall by 2.4 per cent in real terms in 2022/23.

|   | 2021/22<br>£ million | 2022/23<br>£ million | Cash<br>change<br>% | Real terms<br>change<br>% |
|---|----------------------|----------------------|---------------------|---------------------------|
| General revenue grant                               | 8,682                | 8,450                | -2.7                | -6.5                      |
| Non-domestic rate income                            | 2,090                | 2,766                | 32.3                | 27.2                      |
| Specific revenue grants                             | 776                  | 785                  | 1.1                 | -2.8                      |
| Non-recurring Covid-19 funding                      | 515                  |                      |                     |                           |
| Cost of living funding                              |                      | 250                  |                     |                           |
| <b>Total revenue funding</b>                        | <b>12,063</b>        | <b>12,250</b>        | <b>1.5</b>          | <b>-2.4</b>               |
| Total revenue excluding Covid-19/<br>cost of living | 11,548               | 12,001               | 3.9                 | -0.1                      |

Source: Finance circulars and Scottish Government budget documents

**54.** Scottish Government funding will not include Covid-specific allocations from the UK Government in 2022/23, however, there will be an increase in the overall Scottish Government budget. If we remove Covid-19 funding in 2021/22 from our analysis, the Scottish Government budget is set to increase by seven per cent in real terms, as opposed to a real-terms cut in local government funding of 0.1 per cent. However, if we include Covid-19 funding in the 2021/22 Scottish Budget, in 2022/23 it falls in real terms by ten per cent, a bigger fall than local government.

## Capital funding

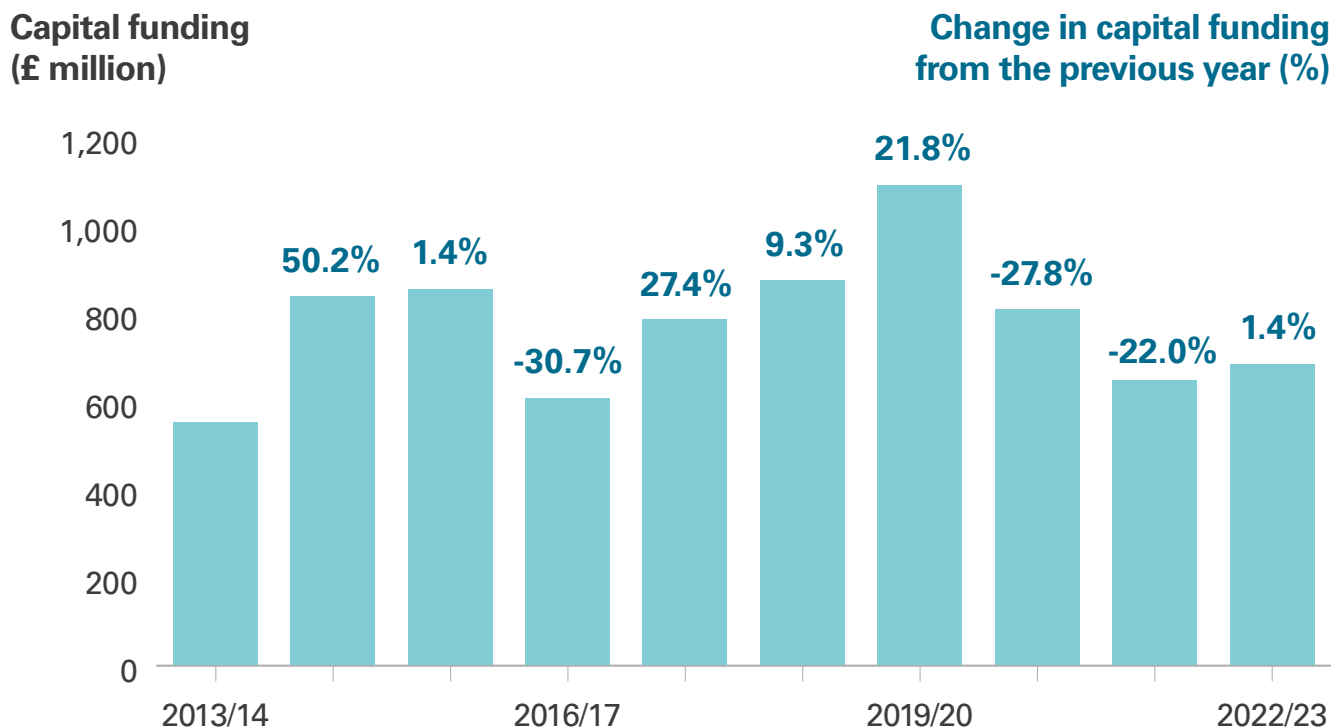
### The Local Government capital settlement in 2022/23 increased from £649 million in 2021/22 to £685 million

**55.** Capital funding has increased by 1.4 per cent in real terms between 2021/22 and 2022/23. Capital funding had experienced significant increases up to 2019/20 before falling in 2020/21 and 2021/22. Real-terms total capital funding has now returned to levels closer to those seen in 2016/17 ([Exhibit 14, page 28](#)).

## Exhibit 14.

### Real-terms Scottish Government capital funding between 2013/14 and 2022/23

Scottish Government capital funding will increase slightly in 2022/23, but this follows two years of decreases over 20 per cent.



Source: Finance circulars and Scottish Government budget documents

**56.** Higher interest rates and inflationary costs will present risks to councils' capital programmes going forward. The affordability of capital spend will be significantly impacted by changes in interest rates. Some councils have anticipated costs will double, which has meant they will need to consider the affordability of their capital programmes going forward.



## Local government in Scotland

# Financial bulletin

## 2021/22

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****20 JUNE 2023**

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**INTERNAL AUDIT – ANNUAL REPORT 2022/23**

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**1.0 INTRODUCTION**

1.1 The purpose of this report is to advise the Audit and Scrutiny Committee (the Committee) of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2022/23 and advise the Committee of the contents of the Chief Internal Auditor's (CIA) independent annual opinion on the effectiveness of the Council's risk management, internal control and governance processes.

1.2 The Public Sector Internal Audit Standards (PSIAS) became effective on 1st April 2013 and require that:

*“The chief audit executive [ABC: Chief Internal Auditor] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.*

*The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.*

*The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”*

1.3 Attached as appendices to this report are:

- Appendix 1 – Internal Audit Annual Report and Summary of the audits completed in 2022/23
- Appendix 2 – Internal Audit Opinion for 2022/23

**2.0 RECOMMENDATIONS**

2.1 The Audit and Scrutiny Committee endorses the content of this report and the associated annual opinion of the CIA.

**3.0 DETAIL**

3.1 Internal Audit is an independent and objective assurance function 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 the Council's risk management, internal control and governance processes.

- 3.2 Internal Audit's purpose, authority and responsibilities are set out in detail in the Internal Audit Charter, which was most recently approved by the Committee in March 2023. Internal Audit reports its outputs regularly throughout the year to the Committee. The Committee also approves Internal Audit's annual plan and monitors the performance of the function.
- 3.3 The risk based audits contained within the 2022/23 Internal Audit Annual Plan are shown in the table included at Appendix 1 page 12. This shows the overall audit opinion for each audit and the number and significance of agreed actions.
- 3.4 Internal audit activity is planned to enable an independent annual opinion to be given by the CIA on the adequacy and effectiveness of internal controls within the authority, including the systems that achieve the corporate objectives of the Council and those that manage the material risks faced by the authority. It should be noted, however, that the presence of an effective internal audit function contributes toward, but is not a substitute for, effective control and it is primarily the responsibility of line management to establish internal controls so that the Council's activities are conducted in an efficient manner, to ensure that management policies and directives are adhered to and that assets and records are safeguarded.
- 3.5 Internal Audit operated during financial year 2022/23 as part of the Chief Executive's Unit and whilst I report to the Council's Head of Financial Services on an administrative basis, I also have unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Executive Directors including the Executive Director for Customer Services who is the Council's Monitoring Officer. In addition, Internal Audit staff have unrestricted access to all documents, systems and information necessary to reach an opinion or view on any matter under consideration.
- 3.6 Internal Audit activity during the year was undertaken in accordance with the revised Internal Audit Annual Plan.
- 3.7 There were no substantial changes made to the 2022/23 audit plan. One review concerning learning and disability care packages was postponed until 2023/24 in order to extend the remit of planned work at the request of management and a review on car parking charges was not required after a recent internal review of this area.
- 3.8 I am pleased to report that, council officers have continued to make progress in terms of implementing agreed audit recommendations. Furthermore there are robust follow up procedures in place with reports taken to the SMT on a quarterly basis and reported as a standing item on the Committee's agenda.
- 3.9 There is a formal requirement for me to prepare an annual opinion on the Council's internal control system. The opinion is presented to

members of the Committee and is intended to provide independent and objective assurance as to the adequacy and effectiveness of internal controls within the Council.

- 3.10 In addition to the work carried out by internal audit, my opinion is also informed by:
- the work of External Audit
  - the work of other external inspection agencies who report on the Council's work
  - statements of assurances provided by the Chief Executive, Executive Directors and Heads of Service providing their opinion on the effectiveness of control, governance and risk management within their areas of responsibility.
- 3.11 My evaluation of the control environment is informed by these sources and in bringing these together, consideration has been given to whether there is evidence that any key controls are absent, inadequate or ineffective and whether the existence of any weaknesses identified, taken independently or with other findings, significantly impairs the Council's overall systems of internal control. Wider issues relating to the Council's corporate governance and risk management arrangements have also been considered.
- 3.12 The nature of individual audit assignments is such that most Internal Audit reports identify some weaknesses or areas where scope for improvement exists. However, I am pleased to report that, generally across the Council, there continues to be a strong recognition amongst management of the importance of proportionate but effective internal controls. Senior management has also established an operating culture where good standards of governance are seen as a key requirement in the way in which the Council conducts its activities.
- 3.13 During work undertaken in 2022/23 there have been instances where the control environment was not strong enough or complied with sufficiently to prevent risks to the organisation. In these cases, Internal Audit has made recommendations to further improve the systems of control and compliance. Although sometimes significant to the control environment in place for the individual system or areas that have been audited, I do not consider these weaknesses material enough to have a significant impact on the overall opinion on the adequacy of the Council's control environment at the year end.
- 3.14 My formal annual Internal Audit opinion on the soundness of the Council's internal control systems is presented in my Internal Audit Annual Report in particular at Appendix 2. Overall, the results of the work of Internal Audit in 2022/23 taken with other information available to me did not lead me to conclude that the Council's overall systems of internal control were significantly or materially impaired.

- 3.15 It has been a particularly busy year for the internal audit team as they have supported the Chief Internal Auditor in the further development of our work practices including working closely with the counter fraud team. The team have worked hard to deliver the internal audit plan, and in a backdrop of the retirement of a qualified experience auditor, interim arrangements have been made to address this vacancy and this will continue until training plans are progressed and staff have developed experience along with professional qualifications in order to improve resilience. It is my opinion that the profile of Internal Audit continues to improve within the Council as does the quality of the work it delivers and is evident in the feedback received from post-audit surveys indicating a satisfaction rate of 96%.
- 3.16 As required by the PSIAS a five-yearly external assessment took place in 2022-23 and the service was found to be fully compliant in all 14 areas of review. Two minor housekeeping issues were identified and these have now been fully implemented. All identified actions for improvement have been tracked through our quality assurance improvement programme with updates reported to Committee as part of a standard agenda item.
- 3.17 On behalf of my team I would like to thank all Council staff who have assisted Internal Audit during the course of our work throughout 2022/23 and to thank senior management and elected Members for the consideration and due regard given to our work. It is important that good relationships exist in order to promote and improve controls within the Council and it is clear that such relationships are in place.

#### **4.0 CONCLUSION**

- 4.1 Subject to the matters listed in the Annual Governance Statement reasonable/satisfactory assurance can be taken that the systems of governance and internal control are operating effectively. Internal Audit continues to develop and improve as a service. Our Internal Audit Annual Report 2022/23 on page 10 provides a dashboard of our opinion in each area of Governance, Risk Management and Internal Control.

#### **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 – 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**  
**20 June 2023**

**For further information contact:**

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**APPENDICES**

1. Internal Audit Annual Report 2022/23, including Counter Fraud update, summary of planned work in 2022/23 and The Certificate of internal Audit Opinion 2022/23

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# ARGYLL AND BUTE COUNCIL

COMHAIRLE EARRA-GHÀIDHEAL AGUS BHÒID



## INTERNAL AUDIT ANNUAL REPORT 2022-23

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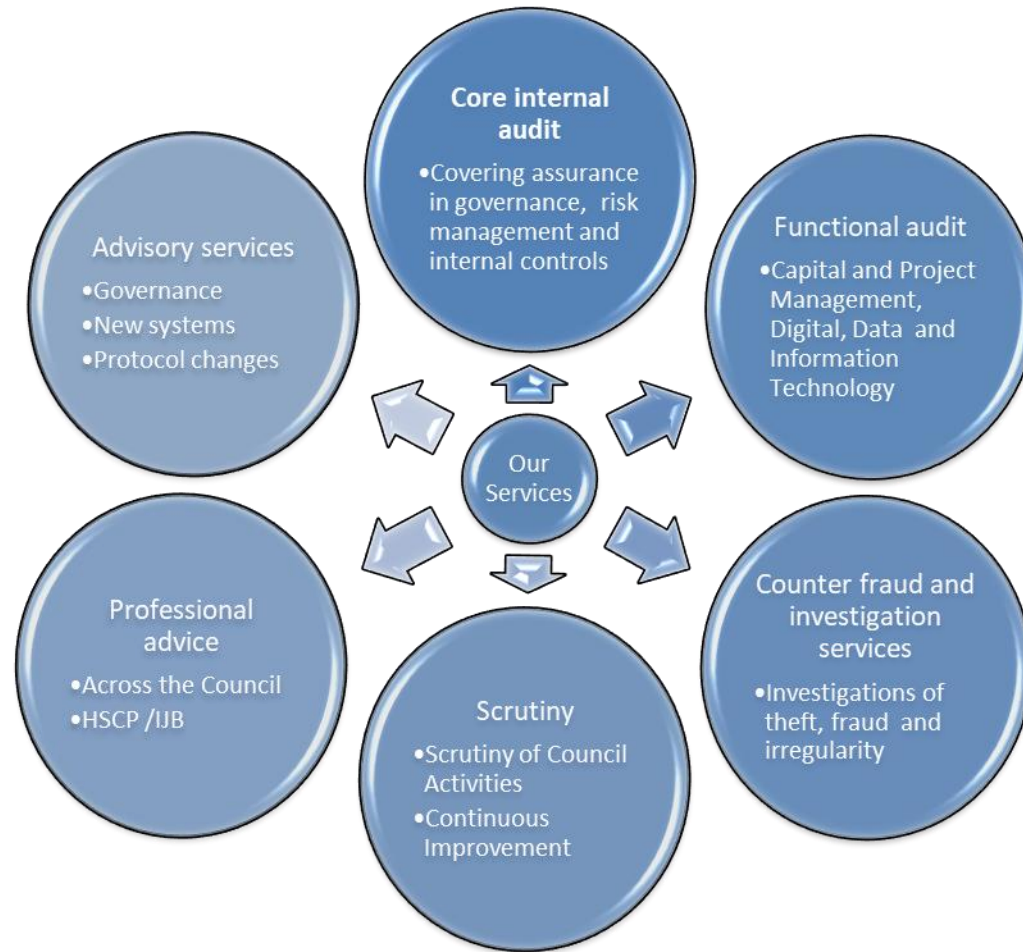
## Introduction

1. This report aims to provide the Audit & Scrutiny Committee with an evaluation of elements of Argyll and Bute Council's internal control, risk management and corporate governance systems based on our work during 2022/23 and to summarise the Internal Audit coverage in the year.
2. Corporate governance is the system by which local authorities direct and control their functions and relate to their communities. The three fundamental principles of corporate governance are openness, integrity and accountability. A sound system of internal control must be maintained to support the Council in operating effective corporate governance arrangements.
3. Good governance practice and internal control suggests that:-
  - Council Members should set appropriate policies on internal control and seek regular assurance that the system of internal control is functioning effectively;
  - management should implement the Council's policies on internal control and design, implement and monitor suitable systems;
  - a well-established and effective Audit and Scrutiny function should be in place within the Council;
  - a local Code of Corporate Governance exists and is reviewed annually; and
  - Internal Audit should provide an independent assessment of the adequacy of the system of internal control.
4. In Argyll and Bute Council a system of good governance is in existence and this is supported by a variety of policies, codes and guidance to promote expected conduct of its business on a day to day basis. The national framework 'Delivering Good Governance in Local government' which was published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief executives (SOLACE) in April 2016 aims to assist authorities in reviewing and assessing their own governance arrangements. The Council has a 'Local Code of Corporate Governance' in place and these arrangements are reviewed periodically and improvements required will be implemented, where necessary.
5. To support the governance statement the Council will need to carry out a review of the effectiveness of internal control, deriving evidence from a variety of sources including Internal Audit, senior managers within the authority with responsibility for developing and maintaining internal control and cognisance of external/internal audit recommendations along with recommendations of other regulatory bodies.
6. This report provides internal audit information in support of the assurance statements and covers the period from 1 April 2022 to 31 March 2023. The attached Appendix reports the Internal Audit activity against the operational audit plan

## Basis of opinion

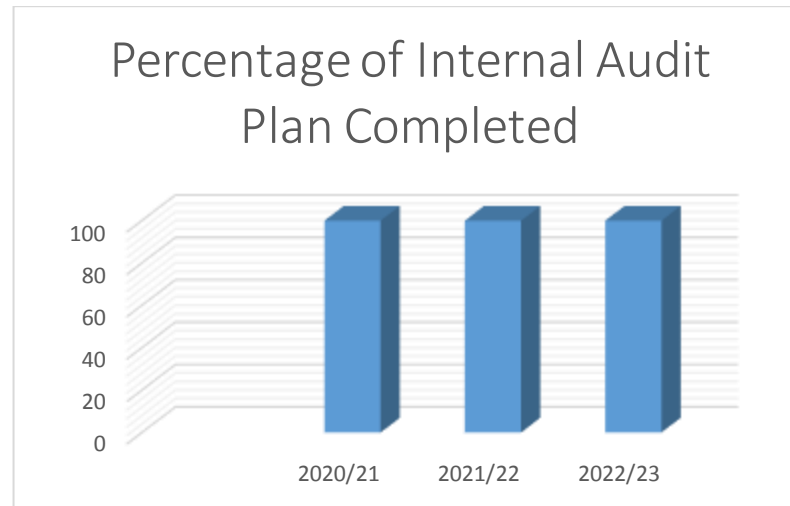
7. We are able to provide assurance on the adequacy of internal controls and governance arrangements within the Council arising only from the results of Internal Audit reviews we have completed during the period in accordance with the programme of Internal Audit work approved by the Audit and Scrutiny Committee. In this context, it is important to note that:
  - (a) it is Management's responsibility to maintain internal control and good governance arrangements on an ongoing basis;
  - (b) the Internal Audit function forms part of the overall internal control and governance structure of the organisation;
  - (c) while we have planned our work so that we have a reasonable expectation of detecting significant control and governance weakness, internal audit procedures alone do not prevent the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances;
  - (d) a sound system of corporate governance and internal control provides reasonable but not absolute assurance that the Council will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. However, a system of corporate governance and internal control cannot provide protection with certainty against any organisation failing to meet its objectives or all material errors, losses, fraud or breaches of laws or regulations;
  - (e) it is the responsibility of Internal Audit to assess the adequacy of the internal control and governance processes as far as it is reasonably possible by reviewing arrangements put in place by management and to perform testing to confirm whether those controls were operating for the period under review; and
  - (f) reasonable expectations of senior management, the Audit and Scrutiny Committee and other stakeholders have been taken into account in terms of our duty to report all matters which come to our attention for the period under review.
8. In our reports issued to date we have made recommendations, where appropriate, to improve internal controls and promote good governance. On the basis of our sample testing of key controls, we concluded that these controls were generally operating as expected during the period under review, with some exceptions that have been reported to management. Appropriate responses to the recommendations made in our reports have been obtained and, if actioned, should provide management with additional comfort that the system of control operates as intended.
9. Summaries of the issues arising in relation to each system or activity covered by the internal audit work in 2022/23 have been reported to management and the Audit and Scrutiny Committee throughout the year. We do not, therefore, propose to repeat the matters in this report. There have been no significant issues which have come to our attention that have not been reported to management.
10. The services provided to the Council in 2022/23 by Internal Audit and Counter Fraud Services are summarised below:-

### INTERNAL AUDIT AND COUNTER FRAUD SERVICES



## Analysis of the Internal Audit Coverage and Performance

11. In respect of 2022/23 the Internal Audit days planned and delivered can be summarised as follows:



12. We have been able to achieve 100% of the agreed 2022/23 audit plan. In addition to the Council's audit plan we have completed the agreed work for the Health and Social Care Partnership (HSCP) contract and also that for LiveArgyll. The work demands on the service continue to be high and this is expected to continue, therefore, our focus will remain on our high risk work and core continuous monitoring of our key financial systems. Notwithstanding, the service remains focused on providing a high quality service and output supporting the Council to achieve its desired goals and outcomes for the communities we serve.
13. We have worked with Council services and our appointed External Auditors, Mazars, to focus our work on those areas of the highest business risk to the Council and those on which External Audit may wish to place reliance.
14. At Appendix 1, we provide details of the internal audit work undertaken in 2022/23.
15. In 2022/23, we issued 21 reports, which contained a variety of recommendations to improve the system of control. Follow up internal audit work has been and will continue to be undertaken to establish if the more significant recommendations made in those reports have been implemented as agreed. One planned review was postponed until 2023/24 in order to increase the scope at the request of management and a further review was no longer required to be undertaken due to a recent internal review of that specific area, these were noted as amendments to the audit plan. During the

year we undertook quarterly ‘follow up’ arrangements to report progress made by management in relation to previously agreed recommendations. In addition, regular reporting of outstanding recommendations are considered by the Council’s Strategic Management Team (SMT) on a regular basis to monitor progress and where appropriate seek that managers resolve any outstanding matters where these have gone beyond agreed implementation dates; SMT are supportive in our work and this is helpful in our continued monitoring and progress assessments until such time as our recommendations are fully implemented.

16. We also submitted formal progress reports to the Audit & Scrutiny Committee throughout the course of the year.

## Quality Assurance and Improvement Programme

17. Internal Audit monitors its performance in a number of ways. This allows us the opportunity to gauge the effectiveness of our service and may inform future improvements. Principally, we monitor performance by the use of client questionnaires which are issued after each piece of work and allow client departments to feedback contributions we have made to improve control, address any areas of value for money and raise any concerns. We are pleased to report, from the questionnaires returned, that clients are generally very satisfied with our service. In addition, Internal Audit produce quarterly and annual reports to the Audit and Scrutiny Committee allowing our progress to be monitored and this is further supplemented by our participation in internal performance targets and reporting via Pyramid (Council’s Performance Management system).
18. CIPFA has issued a statement that sets out the role of the Head of Internal Audit in Local Government in 2019. The purpose of this statement is to outline the core activities and behaviours that belong to the role of Head of Internal Audit and how these should influence and champion good governance, risk management and internal control. The Council’s Internal Audit section conforms to the Statement.
19. CIPFA and the Institute of Internal Auditors (IIA) have reviewed the guidance and made amendments in order to have a common set of standards across the whole public sector. These changes are primarily based on the International Professional Practices Framework (IPPF). The new standards termed Public Sector Internal Audit Standards (PSIAS) became effective in April 2013 and amended in 2017. It should, however, be noted that a comprehensive review of the IPPF is well in progress and the development of a new set of standards called the ‘Global Internal Audit Standards’ are likely to be implemented in the near future once appropriate consultation has taken place.
20. A key requirement of the PSIAS is that Internal Audit sections are required to state whether or not they conform with these standards as part of their annual reporting. In addition, they should outline the results of the quality assurance and improvement programme together with progress against any improvements identified during this assessment.
21. In 2022/23 financial year, Internal Audit were subject to an external evaluation against the PSIAS, Local Government Application note and Quality Assurance Improvement Programme. It is a requirement of the new standards that all public sector Internal Audit sections will require to be independently assessed against these standards during a five year rolling period. The assessment found that in all 14 categories the Council’s Internal

Audit section were fully compliant. This is the highest level of standard attainable in the assessment and a report outlining the findings was presented to the Council's Audit and Scrutiny Committee in March 2023. Arrangements for the next review will be scheduled in for January 2028. The table below outlines each of the 14 categories of assessment and the level of compliance/conformance achieved.

| <b>Assessment Area</b>                        | <b>Level of Conformance External Independent EQA 2023</b> | <b>Level of Conformance Internal Self-Assessment 2023</b> |
|---|---|---|
| Mission of Internal Audit and Core Principles | Fully Conforms  | Fully Conforms  |
| Definition of Internal Auditing               | Fully Conforms  | Fully Conforms  |
| Code of Ethics                                | Fully Conforms  | Fully Conforms  |
| Purpose, Authority and Responsibility         | Fully Conforms  | Fully Conforms  |
| Independence and Objectivity                  | Fully Conforms  | Fully Conforms  |
| Proficiency and Due Professional Care         | Fully Conforms  | Fully Conforms  |
| Quality Assurance and Improvement Programme   | Fully Conforms  | Fully Conforms  |
| Managing the Internal Audit Activity          | Fully Conforms  | Fully Conforms  |
| Nature of Work                                | Fully Conforms  | Fully Conforms  |
| Engagement Planning                           | Fully Conforms  | Fully Conforms  |
| Performing the Engagement                     | Fully Conforms  | Fully Conforms  |
| Communicating Results                         | Fully Conforms  | Fully Conforms  |
| Monitoring Progress                           | Fully Conforms  | Fully Conforms  |
| Communicating the Acceptance of Risks         | Fully Conforms  | Fully Conforms  |

**Assessment Gradings:**

|                       |                           |                           |                         |
|-----------------------|---------------------------|---------------------------|-------------------------|
| <b>Fully Conforms</b> | <b>Generally Conforms</b> | <b>Partially Conforms</b> | <b>Does Not Conform</b> |
|-----------------------|---------------------------|---------------------------|-------------------------|



22. In terms of the findings of the EQA a number of areas of good practice were identified:

- Full compliance with the PSIAS;
- Qualified Internal Auditors with extensive local authority experience;
- Internal Audit staff who are enthusiastic, experienced and focused on providing a good and professional service;
- Well defined procedures which ensures that the service provided is robust, reliable and efficient in carrying out audit activity; and
- The ability of External Audit to place reliance on the work of Internal Audit.

The overall conclusion was that the Internal Audit Service Fully Conforms to the PSIAS.

It was, however, noted that the two areas for improvement highlighted in the report are as follows:

- The need to undertake an annual review of the declarations of interest –this has now been implemented.
- Clearer referencing in the internal audit annual report to matters referenced in the Annual Governance Statement –this has now been implemented.

As part of the annual process the Internal audit service undertakes a self-assessment against the PSIAS and this has concurred with the independent assessment which was reported to the Council’s Audit and Scrutiny Committee in March 2023. A full copy of the [EQA report](#) can be accessed using the link provided.

## Confirmation of Independence

23. Internal audit activity is planned to enable an independent annual opinion to be given by the CIA on the adequacy and effectiveness of internal controls within the authority, including the systems that achieve the corporate objectives of the Council and those that manage the material risks faced by the authority. It should be noted, however, that the presence of an effective internal audit function contributes toward, but is not a substitute for, effective control and it is primarily the responsibility of line management to establish internal controls so that the Council's activities are conducted in an efficient manner, to ensure that management policies and directives are adhered to and that assets and records are safeguarded.
24. In 2022/23 Internal Audit operated as part of the Chief Executive's Unit and reported to the Council’s Head of Financial Services on an administrative basis, however, had unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Executive Directors including the Executive Director for Customer Services who is the Council’s Monitoring Officer.

25. Internal Audit operated without restriction and had unfettered access to all staff and documents both electronic and paper to allow full and effective assessment of the work during 2022-23. We are therefore pleased to note that there are no matters which require to be drawn to the Audit and Scrutiny Committee's attention or wider senior management contained within this report regarding the independence of the Internal Audit service during 2022-23.

## Counter Fraud Services

26. The Counter Fraud Team (CFT) was established in September 2020 on a two year trial basis, during this period significant successes have been made in identifying monies due to the Council and issuing a bill for the rightful charges. In September 2022, on conclusion of the trial period and having demonstrated a need for the service and its continued success the arrangements were made permanent. The work of the CFT is wide in nature, covering complaints of theft, fraud, dishonesty and irregularity to reviewing and proactively working to maximising the Council's revenue streams by reducing the amount of benefit fraud, not to mention educating and training staff on such issues. The Council also participates in the National Fraud Initiative (NFI) which uses data analysis and matching to highlight potential irregularities that are reported back to each participating authority to investigate.
27. The CFT consist of two full time staff who have formal qualifications in CIPFA Accredited Fraud investigators course. Indeed, both members of staff have significant public sector experience in dealing with such matters and this has contributed to a successful approach.
28. The table below summaries the total income recovered by the team to date. This has been broken down into reactive work through referrals, which can also be quantified in terms of numbers, and proactive work such as large scale council tax reviews. The total funds recovered by the Fraud Team are:

| Reactive Work | Total     | Pursued/<br>Concluded/Upheld | Rejected/Refuted/<br>Not Upheld | Rebilled<br>Value (£) |
|---------------|-----------|------------------------------|---------------------------------|-----------------------|
| Employee      | 6         | 4                            | 2                               | 21,000                |
| Council Tax   | 34        | 18                           | 16                              | 51,302                |
| Blue Badge    | 6         | 6                            | 0                               | 0                     |
| DWP           | 10        | 10                           | 0                               | 0                     |
| Grants        | 5         | 5                            | 0                               | 0                     |
| Other         | 8         | 8                            | 0                               | 0                     |
| Welfare Fund  | 0         | 0                            | 0                               | 0                     |
| <b>Total</b>  | <b>69</b> | <b>50</b>                    | <b>19</b>                       | <b>72,302</b>         |

| <b>Proactive Work</b>               | <b>Rebilled Value (£)</b> |
|-------------------------------------|---------------------------|
| <b>Total combined work rebilled</b> | <b>876,573</b>            |
| <b>Total combined work recovery</b> | <b>683,897</b>            |

29. These figures represent the rolling total since the inception of the team to date and so far 78% of the income due that has been rebilled has been paid to the Council. The rebilled accounts are routinely monitored and recovery is updated routinely. It is not within the CFT's remit to pursue rebilling as that rests with the Debt Recovery teams. The CFT will liaise with Debt Recovery for long term debts, work closely together to maximise the income for the Council. The CFT monitor recovery for its own records. The unquantifiable work carried out by the CFT also raises awareness of the potential for suspicious activity toward the Council and information is passed nationally to other local authorities and Police Scotland.
30. Local visits throughout Argyll and Bute were undertaken in the year and this will form part of a rolling programme of visits going forward, focusing on maximising the income due to the Council. In addition the CFT are raising awareness of the Council's zero tolerance to fraud and this will help act as a deterrent to fraud being perpetrated in the first place.
31. In addition to the above role the CFT undertake investigative work on complaints received regarding allegations against staff and where these require to be looked at in terms of fraud, theft or other irregularity then a full examination of the facts will follow and be reported. This work can be and often is time consuming and is fitted in to the overall demands of the role. The nature of this work is sensitive and confidential and reporting is therefore restricted in terms of data protection and associated rights.

## Opinion, Conclusions and Observations

32. We agreed a rolling programme of Internal Audit coverage based on an assessment of risk factors with Management and the Audit and Scrutiny Committee. This programme related to the level of available resources, focusing on higher risks and areas identified by management as requiring audit review within the Council. On the basis of the internal audit systems and work completed in respect of this year, we consider that the assessment of key systems are noted below. A certificate of opinion is noted within Appendix 2 of this document reflecting our opinion.

**Governance****Risk Management****Internal Control**

|  | <b>Classification and Assessment</b>  |
|--|---|
|  | <b>Poor and Requiring Improvement</b> – Does not meet any key areas of good practice or partially or fails to meet most key areas of good practice. |
|  | <b>Adequate and/or Improving</b> - Attempting to meet or meets most key areas of good practice/ with effort being made to improve further.          |
|  | <b>Reasonable/Satisfactory</b> - Substantially meets all key areas of good practice.  |

33. However, we would point out the following exceptions and/or observations:

- Across Scotland’s public sector significant pressures continue as a result of financial settlements and this has been particularly compounded as a result of inflationary pressures and rising costs of fuel, gas and electricity, together with the risk of unfunded or partly funded pay settlements. These pressures are likely to remain going into 2023/24 financial year and will continue to add an element of uncertainty in relation to the overall financial picture affecting the Council. The Council continues to undertake appropriate medium to long term financial planning using a scenario modelling approach which helps to provide Members with a thorough overview of the implications of funding and cost pressures.
- During our planned work for 2022/23, we found no significant reporting issues that have not already been drawn to the Audit and scrutiny Committee’s attention. In relation to our work on ‘Client Funds’ a detailed action plan has been agreed and fully supported by management

and, if actioned, it is likely to reduce the risk and improve control in this area. However, this audit review on its own does not imply any wider concern and therefore we do not need to amend our final opinion as a result of our findings.

- The Work of our CFT continues to be supportive and preventative in approach and where there is evidence of error, fraud or complaint which has a financial impact on the Council, every attempt will be made to actively recover monies due in order to maximise income and serve as a deterrent.
- Our findings contained within this report should be considered in the preparation and reporting of the Council's Annual Governance Statement which can be found on the [Council's web page](#).

34. Finally, we would also like to highlight our appreciation to the Council's Audit & Scrutiny Committee for their strong support, together with the helpful co-operation of the Council's Management Team and the development of a good working relationship with the appointed External Auditors, Mazars.

## Appendix 1 – Summary of Internal Audit Plan 2022/23

## Appendix 1 - Summary of 2022/23 Internal Audit Plan

| Report Title                                  | Overall Opinion | No. of Recommendations |        |     |     |
|---|-----------------|------------------------|--------|-----|-----|
|   |                 | High                   | Medium | Low | VFM |
| Payroll Processes                             | Reasonable      | 0                      | 5      | 0   | 0   |
| Management of Debt/Debt Recovery              | Reasonable      | 0                      | 4      | 3   | 1   |
| Early Years                                   | High            | 0                      | 0      | 0   | 0   |
| Counselling in Schools                        | Substantial     | 0                      | 0      | 2   | 0   |
| Purchasing Cards                              | Reasonable      | 0                      | 9      | 4   | 0   |
| Procurement                                   | High            | 0                      | 0      | 0   | 0   |
| Externally Funded Projects                    | Substantial     | 0                      | 2      | 1   | 0   |
| Heritage Assets                               | Substantial     | 0                      | 1      | 5   | 0   |
| Burial Records                                | Reasonable      | 1                      | 3      | 2   | 0   |
| Oban Airport                                  | High            | 0                      | 0      | 0   | 0   |
| Building Standards                            | High            | 0                      | 0      | 1   | 1   |
| Private Sector Grants & Housing Adaptations   | Substantial     | 0                      | 1      | 2   | 0   |
| Equality and Socio-economic Impact Assessment | Substantial     | 0                      | 1      | 4   | 0   |
| Customer Service Centre                       | High            | 1                      | 0      | 5   | 1   |
| Cyber Security                                | Substantial     | 0                      | 5      | 1   | 0   |
| Client Funds                                  | Limited         | 8                      | 2      | 0   | 0   |
| Events Management                             | High            | 0                      | 0      | 0   | 0   |
| Establishment Visits                          | High            | 0                      | 0      | 0   | 0   |
| Local Government Benchmarking Framework       | Substantial     | 0                      | 0      | 0   | 0   |
| Education Maintenance Allowance               | High            | 0                      | 0      | 0   | 0   |
| SPT Concessionary Fares                       | High            | 0                      | 0      | 0   | 0   |

## Appendix 2 – Certificate of Internal Audit Opinion 2022/23

### **To the Members of Argyll and Bute Council, the Chief Executive, other members of the Council's Senior Management Team including the Section 95 Officer**

As the Chief Internal Auditor of Argyll and Bute Council (the Council), I am pleased to present my annual statement on the adequacy and effectiveness of the internal financial control system of the Group Accounts prepared by the Council for the year ended 31 March 2023.

#### **Respective responsibilities of management and internal auditors in relation to internal control**

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual overall assessment of the robustness of the internal financial control system.

#### **The Council's framework of governance, risk management and internal control**

The Council has a responsibility to ensure that its business is conducted in accordance with legislation and proper standards. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The main objectives of the Council's internal control systems are to ensure:

- adherence to management policies and directives in order to achieve the organisation's objectives
- economic, efficient, effective and safe use of resources and assets
- the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records
- compliance with statutory requirements.

The system of internal control is a significant element of the governance framework. Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control in order to identify and prioritise the risks that would prevent the achievement of the Council's strategic objectives.

#### **The work of internal audit**

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.

The Council's Internal Audit Section operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which have been agreed to be adopted from 1 April 2013 by the relevant public sector Internal Audit Standard setters. PSIAS applies the Institute of Internal Auditors International Standards to the UK Public Sector.

PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed in order to provide assurance that internal audit activity:

- is conducted in accordance with an Internal Audit Charter
- operates in an efficient and effective manner
- is perceived to be adding value and improving operations.

PSIAS also requires, as outlined in Standard 1300 “QAIP”, that:

“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation”.

To meet this requirement, a reciprocal arrangement to complete a programme of inspections has been developed by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG). This process identified East Dunbartonshire Council as the body to undertake the independent review of the Council’s Internal Audit function’s level of compliance with PSIAS. This output of this review was presented to the Audit and Scrutiny Committee in March 2023. It concluded that the internal audit service demonstrates full compliance/conformance with PSIAS and identified many areas of strong practice including the internal audit team is highly qualified, delivers a high quality service, good engagement and clear reporting lines and clear evidence of supervision and audit follow up.

Internal Audit undertakes an annual programme of work based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Council.

All Internal Audit reports identifying system weaknesses and / or non-compliance with expected controls are brought to the attention of management and the Audit and Scrutiny Committee together with appropriate recommendations and agreed action plans. It is management’s responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations.

The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. A programme of follow-up on assignment findings and recommendations provides assurance on the complete and timeous implementation of internal audit recommendations.

Internal Audit staff regularly attended the following external user group meetings:

- SLACIAG, the purpose of which is to develop and improve the practice of internal audit activity with Scottish local authorities. It achieves this by meeting to discuss issues of common concern, commissioning work to develop ideas, sharing good practice, working in partnership with other professional / governing bodies and promoting SLACIAG as the representative body for internal audit in local authorities. We have attended meetings of SLACIAG during 2022/23.
- SLACIAG Computer Audit sub group: a member of the audit team attends this forum and contributes to outputs and communications that are regularly exchanged with the aim of ensuring that audit teams are better equipped to perform technical information systems audits.



- The CIA also meets the Chief Internal Auditors of West Dunbartonshire Council, East Dunbartonshire Council, West Lothian Council, Falkirk Council and Inverclyde Council on a quarterly basis to discuss developments and share knowledge. In-between these meetings we are in regular contact to share information which helps deliver audit plans more efficiently including consistent use of benchmarking indicators.

### **Basis of Opinion**

My evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit during the year to 31 March 2023, including risk based audits, continuous monitoring and follow-up activity.
- the assurance statements signed by the executive directors and heads of service on the operation of the internal financial controls for the services for which they were responsible during the year to 31 March 2023.
- the assurance statement signed by the Chief Executive for the overall Council for the year ended 31 March 2023.
- reports issued by the Council's external auditors, Audit Scotland, and other external review agencies.
- my knowledge of the Council's governance, risk management and performance monitoring arrangements.

### **Limitation to Resources or Scope of Internal Audit Work**

I can report that Internal Audit operated throughout 2022/23 with no impairments or restrictions in scope or independence.

There were sufficient resources available to deliver the amended programme of audit assignments contained within the 2022/23 Internal Audit Plan and no significant threats emerged to the independence of the internal audit activity such as inappropriate scope or resource limitations.

### **Opinion**

It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2023.

Signature:

Paul Macaskill FCPFA CMIIA

Title: Chief Internal Auditor

Date: 20 June 2023

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**ARGYLL AND BUTE COUNCIL**

**Audit and Scrutiny**

**LEGAL AND REGULATORY SUPPORT  
FINANCIAL SERVICES**

**20 June 2023**

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**STATEMENT OF GOVERNANCE AND INTERNAL CONTROL**

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**1. EXECUTIVE SUMMARY**

- 1.1. This report advises that the code of corporate governance action plan for 2022/23 has been reviewed and updated along with the content of the revised code to reflect the governance position within the Council for 2022/23.
- 1.2. An action plan detailing areas for further development has been prepared for 2023/24.
- 1.3. The review allows the Council to include a statement of governance and internal control in the Annual Accounts for 2022/23.

**2. RECOMMENDATIONS**

- 2.1 The Committee consider and note the updates in the Action Plan for 2022/23.
- 2.2 The Committee consider and approve the content of the Action Plan for 2023/24.
- 2.3 The Committee consider and approve the draft statement of governance and internal control for 2022/23.

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**STATEMENT OF GOVERNANCE AND INTERNAL CONTROL**

---

**1. INTRODUCTION**

- 1.1 This report advises that the code of corporate governance action plan detailing areas for development in 2022/23 has been reviewed and updated (page 10/11 of draft statement) along with the content of the revised code to reflect the governance position within the Council for 2022/23.
- 1.2 The review allows the Council to include a statement of governance and internal control in the Annual Accounts for 2022/23. An action plan detailing areas for further development for 2023/24 has been prepared (page 11 of draft statement).

**2. RECOMMENDATIONS**

- 2.1 The Committee consider and note the updates on the action plan for 2022/23
- 2.2 The Committee consider and approve the action plan for 2023/24
- 2.3 The Committee consider and approve the draft statement of governance and internal control for 2022/23

**3. DETAIL**

- 3.1 CIPFA and SOLACE published a revised Framework for 'Delivering Good Governance in Local Government' in 2016. The Framework was defines seven core principles and twenty-one supporting principles that should underpin the governance of local authorities and provides a structure to assist authorities with assessing their own approach to governance.
- 3.2 The Council is required to review its code of corporate governance and prepare an action plan which identifies areas within the Council where work to improve its governance arrangements is being undertaken.
- 3.3 The seven principles contained in the local code are:
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3.4 The review of the effectiveness of the system of governance and internal control is informed by the:

- work of council officers
- work of External and Internal Audit
- Statements of Governance or Internal Control provided by external bodies
- external review and inspection reports
- recommendations from the Audit and Scrutiny Committee

#### **4. CONCLUSION**

4.1 This review gives assurance about the robustness of the Council's governance arrangements.

#### **5. IMPLICATIONS**

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

**Douglas Hendry**

**Executive Director with responsibility for Legal and Regulatory Support**

**Kirsty Flanagan**

**Executive Director with responsibility for Internal Audit**

**For further information please contact:**

Iain Jackson, Governance, Risk and Safety Manager - 01546 604188

Paul MacAskill, Chief Internal Auditor - 01546 604108

Appendices

Appendix 1 - Draft Statement of Governance and Internal Control 22/23

## Appendix 1

### Annual Governance Statement

#### 1. BACKGROUND AND SCOPE OF RESPONSIBILITY

Argyll and Bute Council's (the Council) governance framework includes the systems, processes and culture by which the Council is controlled, engages with communities and monitors the achievement of strategic objectives. The Council conducts its business in accordance with the law and proper standards. The Council has a duty to make arrangements to secure continuous improvement in the way which its functions are exercised, having regard to the economic, efficient and effective use of public money.

The system of internal control is a key part of the framework and is designed to manage risk to an acceptable level.

In discharging these responsibilities, the Council has put in place proper arrangements for the governance of its affairs and the stewardship of the resources at its disposal. The Council has approved and adopted a Local Code of Corporate Governance (the Code) which is consistent with the principles and requirements of the CIPFA/SOLACE revised Framework for 'Delivering Good Governance in Local Government. This Statement explains how the Council has complied with the Code and meets the requirements of current good practice.

#### 2. THE GOVERNANCE FRAMEWORK

The Code details how the Council will demonstrate compliance with the fundamental principles of corporate governance for public sector bodies. The seven key principles of our governance arrangements in 2022/23 are described in the Code, along with our supporting principles and key aspects of our arrangements to ensure compliance.

##### 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

We have four values, which underpin all that we do and provide a sound basis to achieve transformation to ensure we meet the challenges of the future and deliver quality services. These values are that we have a workforce which is:

**Caring                      Committed                      Collaborative                      Creative**

We have developed and communicated an [Ethical Framework](#) within the Council's Constitution, which defines standards of behaviour for Members and staff. Protocols for Member/Officer relations are also detailed within the Constitution.

The Councillors' Code of Conduct is set out at a national level, applying to all members in Scottish local authorities and is incorporated into the Council's Constitution as part of the ethical framework which also includes a protocol for the Monitoring Officer. A [Register of Members Interests](#) is publically available for inspection. In addition, the Constitution has a section on conduct at meetings and meeting agendas require declarations of interest to be made where appropriate. Standing orders for meetings are included within the Council's constitution and training and support is provided to members on their role in Council committees.

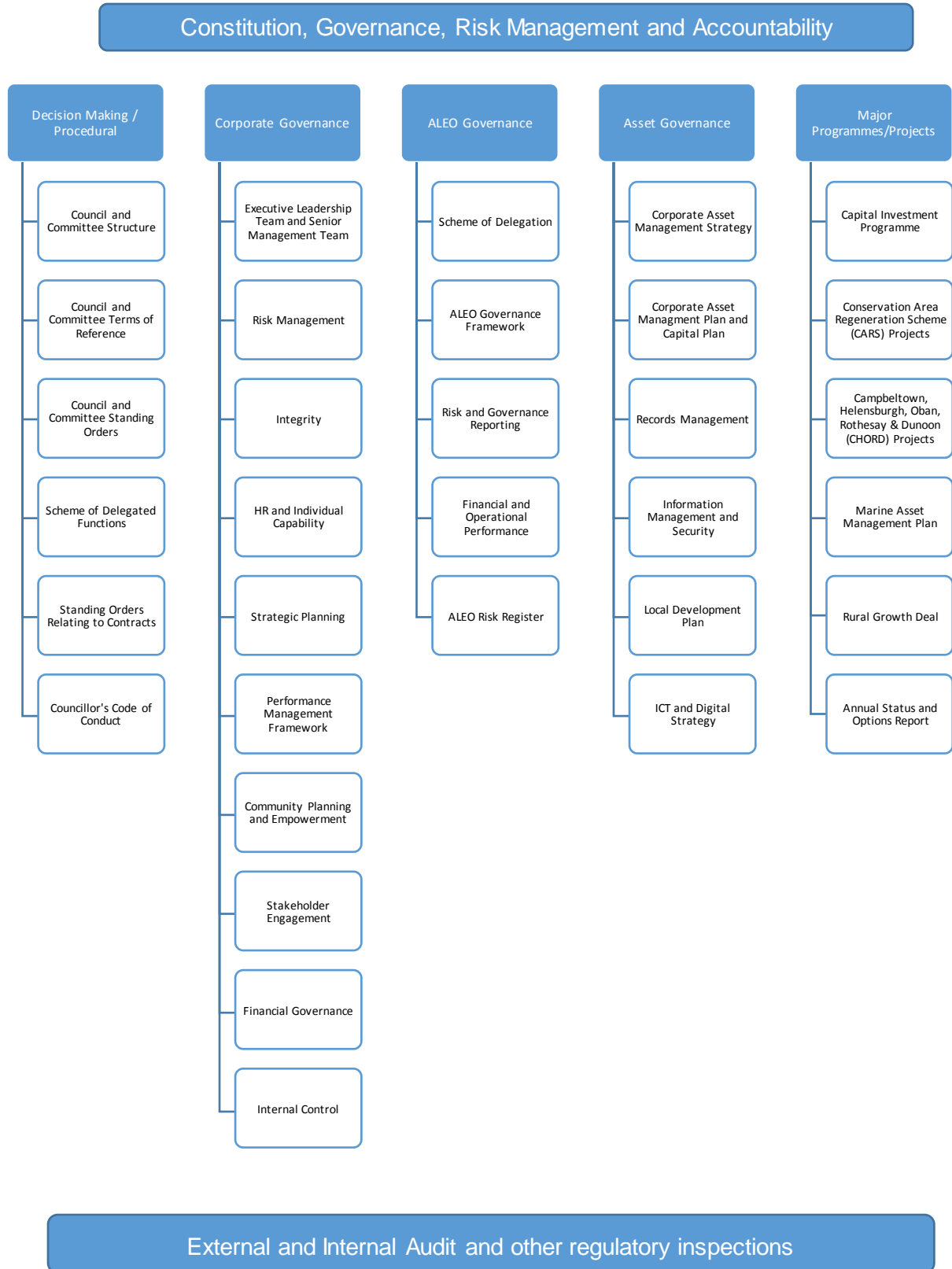
[Anti-fraud and whistleblowing](#) policies are in place and the Council has adopted the Scottish Public Services Ombudsman's (SPSO's) Model [Complaints Handling Procedure](#).

The Council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

# Appendix 1 Annual Governance Statement

In addition, Professional advice on the discharge of statutory social work duties is provided to the Council by the Chief Social Work (CSWO).

A structure of governance and framework across our day to day activities and which support accountability, control, risk management and appropriate overview of the Council are outlined in the diagram below:





## Appendix 1

### Annual Governance Statement

#### 2. Ensuring openness and comprehensive stakeholder engagement.

We have established clear channels of communication with the community and other stakeholders through our Communication Strategy. Key mechanisms include:

##### [Consultation Diary](#)

The Council has developed a consultation section on its website which hosts all consultations run by the Council and includes a section which publicises the results and/or outcome of the consultation and the resultant decisions that have been taken, showing how they were informed by the consultation process. This is part of our commitment to You Said, We Did information sharing for the public. Consultations provide communities with an opportunity to get involved with wide ranging aspects of the council's work and life in Argyll and Bute.

These include for example, Campbeltown Flood Scheme, Oban Bay Harbour, Roads Reconstruction, Helensburgh Waterfront Development, Community Council Review, Free Period Products Provision and Electrical Vehicle Chargers.

##### [Keep in the Loop Service](#)

Over 10,500 customers subscribed to receive notifications across the range of services.

'[Myaccount](#)' is a secure sign-in service for accessing online public services in Scotland. It provides the ability to set up an online account and use it to access a growing range of online public services, Scotland-wide, including Argyll and Bute Council. Currently 15,399 customers have signed up to this service and it allows customers to access and personalise their interaction with the Council on a range of services.

##### [Public Performance Reporting](#)

The Council's website makes all performance information available to the public. This includes information on performance scorecards, budgets and other service related information. This promotes open accountability to the public for its performance against agreed policies and standards. Best Value is the term applied to the means by which the Auditor General and Accounts Commission audits local government on good governance, managing resources, improvement, managing change and delivering services that improve the lives of local people. In 2022 the Accounts Commission announced that its approach to reporting on Best Value is changing from BV3 audits and will now report annually on specific themes from October 2023. This is intended to facilitate the exchange of ideas and performance data, as well as offering a detailed analysis of a specific aspect of the work of all councils. The first theme will be leadership. This will be accompanied by shorter Section 102 reports for each Council over a four year period.

The Council is currently developing a refreshed Corporate Improvement Plan to build on the now completed BV3 Action Plan and this will be brought forward to the Audit and Scrutiny Committee later in 2023.

##### [Accessibility](#)

Online service provision is only effective if it is easy to access. In order to ensure maximum accessibility for everyone and meet our equalities responsibilities, the Council's website is currently being upgraded to ensure conformance with the latest WCAG 2.2 Guidance and will be relaunched in May 2023. In December 2022 the website had a 98% rating (excellent) and was the 14th highest ranking Council in the UK. Our current and new websites also have the Reachdeck accessibility toolbar for any user seeking additional assistance such as text to speech or translation facilities.

##### [Community Engagement](#)

The Council supports good community engagement through its recently established

## Appendix 1

### Annual Governance Statement

Engagement Group led by a Head of Service. On this group sit those officers with expertise in engagement including those from Corporate Communications and the Communities & Partnership Team. The Council's Communications Team has produced an engagement toolkit for services to use, and the council's Communities & Partnership Team has resources and expertise to support hard to reach groups, community organisations and remote communities to have a voice in decision making alongside advice and training on best practice in community engagement.

In addition to community engagement, the council's Community Development Officers (within the Communities & Partnership Team) provide a range of wider training and resources to help build the knowledge, skills and confidence of community groups alongside funding support to help empower community organisations to take forward priority projects and activities in their area. The Council continues to promote the [Community led action plan and toolkit](#) (developed in partnership with Scottish Community Development Centre) to help support communities interested in developing a local Community-led Action Plan.

The Community Planning and Community Development Team supports communities to submit Participation Requests to the Council, in line with Part 3 of the Community Empowerment (Scotland) Act 2015.

The Council also oversees the work of Community Learning (Youth Work and Adult Learning) through its collaboration with its Arms-length External Organisation (ALEO) partner Live Argyll.

#### Council/Committee Meetings

Meetings are always held in public, unless one of the statutory exemptions in the Local Government (Scotland) Act 1973, schedule 7A applies to the content of the report. Agendas for and minutes of meetings are detailed on the Council's website. When schedule 7A applies papers are adjusted to ensure that the maximum amount of content is in the public domain.

The Council's [Constitution](#) defines the roles and responsibilities of the administration, committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Standards Commission Advice Note for Councillors on Distinguishing between their Strategic Role and any Operational Work has previously been included in an Elected Member Seminar and is hosted on the Members Resource page on the Hub for ease of reference.

### **3. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

Our [Corporate plan](#) sets out our, and our community planning partner's, vision for Argyll and Bute's economic success to be built on a growing population. It also defines our mission "*To make Argyll and Bute a place people choose to live, learn, work and do business*" and establishes our outcomes, priorities and approach to delivering on our shared ambition with our community partners.

We have a [Performance Improvement Framework \(PIF\)](#) that ensures performance is integral to the work of the Council. The PIF is focused not just on measuring what we do but on measuring the difference we make in terms of our outcomes.

Asset management planning and capital investment is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. The Council has put arrangements in place to comply with key elements of the Community Empowerment Act.

In determining how services and other courses of action should be planned and delivered the

## Appendix 1

### Annual Governance Statement

Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

During 2022/23 the Council has acknowledged the effects of the 'Cost of Living' within Argyll and Bute and as a result of being extended, the Flexible food and Fuel fund contract until March 2025 ensuring that the most vulnerable low income households and those using foodbanks in our area can access short-term grants to cover the cost of food and fuel and longer term support through provision benefit maximisation, money advice and energy advice services. In addition the Council has issued 8,000 Scotland Loves Local Gift Cards to low income households in the year ensuring the £960,000 loaded onto the gift cards is spent in local businesses in Argyll and Bute. The Council has also provided a one-stop-shop webpage where individuals and families can access energy advice, money advice and links to the services the Council provides in this area and those provided by third sector partner organisations.

In 2022 and for the fourth year in a row, Argyll & Bute Council successfully reduced their operational carbon emissions. The Council's carbon footprint has reduced around a 33% in emissions since recording commenced in 2015/16. There are a number of factors that have contributed to this reduction such as direct interventions to make buildings more energy & heat efficient, replacing traditional lightbulbs with LED, moving to electric or hybrid vehicles and treating municipal waste in different ways.

Integrated impact assessments as well as environmental, sustainability and island implications are considered during the decision making process to promote fair access to services.

#### **4. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the implications associated with the proposals covering financial, risks and mitigations, integrated impact assessment, acting sustainably, carbon management, island proofing, and changes to schemes, by way of the compulsory sections of the Committee report.

The Council's Executive Leadership Team (ELT) meet regularly with the administration to discuss their key priorities and requirements for decision making in addition there is regular survey and feedback on their needs and a regular review of governance arrangements to ensure that decision making is fully supported.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services. The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan

#### **5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

##### Elected Member Development

The Council has signed up to the Improvement Service's Continuing Professional Development Framework for Elected Members. All Elected Members are provided with opportunities to progress personal development plans so that individual training needs and

## Appendix 1

### Annual Governance Statement

aspirations are identified and support provided as appropriate. This is complemented by a comprehensive seminar and workshop programme which addresses a wide range of topics and strategic issues. Additional training was undertaken by Elected Members in relation to the technology, knowledge and skills necessary to support the transition to a virtual environment including webcasting of strategic Committee meetings and the operation of meetings on a hybrid basis, enabling a mixed attendance of members being physically or virtually present.

#### Officer Development

The Council supports officer development through a structured approach, driven by the values set out in the Corporate Plan and a behavioural competency framework.

The Council has Argyll and Bute Manager and Leadership Programmes, which ensure that all employees who have management responsibilities are knowledgeable and effective in delivering services within the priority management policies and procedures of the Council, including finance, performance and people management. The Leadership Programme ensures that senior and aspiring leaders in the organisation have support to develop their leadership behaviours and to improve their overall impact and performance across the organisation.

#### **6. Managing risks and performance through robust internal control and strong public financial management.**

##### Internal Financial Control


Our standing orders, financial instructions, scheme of delegation and supporting procedure notes/manuals clearly define how decisions are taken and the processes and controls in place to manage risks. These are reviewed and updated on an annual basis. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Council's Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful and fair. Furthermore the Council has a designated Data Protection Officer and all services have Information Asset Registers along with appropriate guidance on how data should be managed.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer and we ensure that our independent Audit and Scrutiny Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption'.

The Council has a system of internal financial control designed to manage risk to a reasonable level. It is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

Development and maintenance of the system is undertaken by officers within the Council and the named bodies mentioned below.

| <b><u>Internal Financial Controls and Prevention</u></b> | <b><u>Are these in Place?</u></b>   |
|--|---|
| <b>Comprehensive budget systems</b>                      |  |

## Appendix 1

### Annual Governance Statement

|  |                                     |
|--|-------------------------------------|
| Financial and budget monitoring systems        | <input checked="" type="checkbox"/> |
| Financial and Performance reporting systems    | <input checked="" type="checkbox"/> |
| Clearly defined Capital Expenditure guidelines | <input checked="" type="checkbox"/> |
| Project Management processes and disciplines   | <input checked="" type="checkbox"/> |
| An effective Internal Audit Section            | <input checked="" type="checkbox"/> |
| An effective Counter Fraud Team                | <input checked="" type="checkbox"/> |

Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

This annual review also covers the other bodies whose activities are incorporated into our Group Accounts and reliance is placed on the formal audit opinion contained in the financial statements of each individual body.

- Dunbartonshire and Argyll and Bute Valuation Board
- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Live Argyll
- Argyll and Bute Integration Joint Board

The Council's risk management processes are well developed. In particular the:

- Strategic Risk Register is updated twice a year and approved by the SMT
- Chief Executive presents the Strategic Risk Register to the Audit and Scrutiny Committee on an annual basis
- Operational Risk Registers are updated quarterly by departmental management teams.
- Internal Audit will perform an audit of compliance with risk management arrangements every three years.
- The CIA performs an annual strategic risk assurance mapping exercise.

#### 7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

##### Internal Audit

The Council and its Group bodies have internal audit functions, which operate to Public Sector Internal Audit Standards. The work of internal audit is informed by an analysis of the risk to which the Council and its Group bodies are exposed, with annual internal audit plans prepared based on that analysis. The Council's Audit and Scrutiny Committee endorses the preparation methodology and annual internal audit plan and monitors the performance of Internal Audit in completing the plan. In addition, the Council has developed a hybrid meeting facility enabling physical and virtual attendance at meetings with a public broadcast function so that members of the public can see and hear meetings of the Council's strategic committees live increasing openness and transparency.

The Chief Internal Auditor (CIA) provides the Audit and Scrutiny Committee with an annual report on internal audit activity in the Council and an opinion of the assurance can be taken regarding the systems of governance and internal control and whether they are operating

## Appendix 1

### Annual Governance Statement

effectively. This is an independent and objective opinion of the CIA based on work carried out in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

Internal audit provides members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. External audit has, and continues to, use the work of internal audit.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

#### Review of the Adequacy of Effectiveness of the Council's Governance Framework

Work to deliver Argyll and Bute's Covid Recovery Strategy and Action plan continued in 2022/23 with the same governance arrangements. Full details of the action plan is detailed in the document

"Recovery, Renew and Restart", which was approved by Councils Economic, Development and Infrastructure Committee. The Council has appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is adequate and effective in practice. The legislative framework of local government defines a number of posts which are primary to the Council's governance arrangements. These include the Chief Executive, Pippa Milne fulfilling the role of Head of Paid Service. As Monitoring Officer, the Executive Director Douglas Hendry:

- oversees the implementation of the Code and monitoring its operation
- reports annually to the Council on compliance with the Code and any changes required to maintain it and ensure its effectiveness.

Specific responsibilities are assigned to the Executive Director Kirsty Flanagan as the Council's Chief Financial Officer (S95 Officer), to ensure that public funds are properly accounted for. In recognition of the significant role that the Chief Financial Officer has in relation to financial performance and the financial control environment, CIPFA has set out key principles that define the core activities and behaviours that belong to the role. These include, being a key member of the Leadership Team, being actively involved in and influencing decision making, and leading the delivery of good financial management across the whole organisation. The Council have appointed a Data Protection Officer in line with the requirements of the UK-General Data Protection Regulations and the Data Protection Act 2018.

#### Covid Recovery Progress report 2022/23

The Argyll and Bute Overarching Recovery Group (formed to lead this process with specific thematic groups focused on Council recovery, building back stronger communities, economic and social recovery, infrastructure and transportation, financial management and public health) continues to meet on a reduced frequency, reporting to the Executive Management Team and appropriate Committees. A number of the actions and priorities have been mainstreamed into operational service delivery, and the critical thematic groups which remain in place are building back stronger communities and economic and social recovery. These have been impacted by the cost of living crisis, higher fuel costs and other factors. Good progress has been made in delivering the Recovery document "Recovery, Renew and Restart" and a progress report will be prepared for consideration by the appropriate Committee late 2023.

## Appendix 1

### Annual Governance Statement

#### FINANCIAL SUSTAINABILITY

It is anticipated the Scottish public sector will continue to face a very challenging short and medium term financial outlook with uncertainty over the level of Scottish Government funding. The one year financial settlements do not provide any degree of medium term certainty and ring-fencing of monies and additional policy commitments which are not always fully funded limit financial flexibility and create additional financial pressures.

The financial outlook continues to be impacted by the COVID-19 pandemic along with the UK exit from the European Union, the Russian invasion of Ukraine and actions on Russian owned entities which have resulted in significant price increases as well as disruptions to the supply chain and longer lead in times. These all have resulted in significant levels of inflation over the last year impacting on the prices of goods and services.

The Council continues to provide financial estimates for future years with their medium term financial outlook covering a five year window to provide a longer term view of the Council's estimated budget gap. Preparing any forward looking financial outlook is challenging due to the levels of uncertainty however the assumptions are reviewed regularly and updated with the outlook prepared to reflect a best case, worst case and mid-range scenario.

The Council has a strong track record in financial management as recognised by previous year's annual external audit reports and the Council's Best Value report issued in May 2020. The Best Value report also recognises that the Council's medium to long term financial strategy helps support financial planning arrangements. In addition to providing revenue and capital projections the Strategy also sets out the position in relation to the Council's general fund reserve, the approach to managing the financial impact of inflationary pressures, approach to Treasury Management and the strategy to address budget gaps.

#### HEALTH AND SOCIAL CARE INTEGRATION

The Argyll and Bute IJB has been established as a separate legal entity from either Argyll and Bute Council and NHS Highland, with a separate board of governance. The IJB comprises eight voting members with four Elected Members nominated by Argyll and Bute Council and four Board members of NHS Highland. In addition there are a number of non-voting appointees representing other sectors and stakeholder groups, such as the Third Sector, Independent Sector, Patients and Service Users, Carers and Staff.

The arrangements for the operation, remit and governance of the IJB are set out in the Argyll and Bute Integration Scheme which has been prepared and approved by Argyll and Bute Council and NHS Highland. The IJB, via a process of delegation from the Health Board and Local Authority as outlined in the Scheme of Integration has responsibility for the planning, resourcing and operational delivery of all integrated health and social care services within Argyll and Bute.

The Council places reliance on the IJB's framework of internal controls and similarly the IJB places reliance on the procedures, policies and operational systems of the Council and the Health Board. The IJB operates within an established procedural framework. The roles and responsibilities of board members and officers are defined within Standing Orders, the Integration Scheme, Financial Regulations and Standing Financial Instructions.

The IJB has proportionate internal audit arrangements in place to provide independent assurance on risk management, corporate governance and the system of internal control. A risk based internal audit plan was carried out in 2022-23 and the IJB's internal auditor has issued a formal annual report providing their independent opinion on the effectiveness of the IJB's risk management, internal control and governance processes. The overall conclusion of

## Appendix 1

### Annual Governance Statement

the Internal Auditor is to provide a satisfactory level of assurance on the adequacy of internal controls and governance arrangements within the IJB.

During 2022-23 the IJB has progressed a number of initiatives to develop its governance arrangements including improving the use of Directions, the completion of the new Joint Strategic plan and Workforce Strategy. It has also focused upon re-mobilising services following the pandemic, progressing its service transformation program and upon strategic development. It has focused on taking action to manage strategic risks during the year, particularly in relation to care home and care at home services.

The financial position of the HSCP has also continued to improve. It repaid all of the debt it owed to the Council in 2021/22 and reported a significant underspend in 2022/23. The operating environment going forward does however remain challenging. The IJB approved a balanced budget for 2023/24 which initially indicated that additional funding from NHS Highland may be required during the year. This is now unlikely in the context of the confirmed underspend in 2022/23. That said, there remains a number of financial risks and challenges to deliver services within budget resource and to deliver the agreed savings.

### UPDATE ON AREAS FOR DEVELOPMENT IDENTIFIED IN PREVIOUS ANNUAL GOVERNANCE STATEMENTS

Previous Annual Governance Statement identified a number of areas for further development. A summary update for each area is provided in the table below.

| Area   | 2022/23 Update   |
|--|--|
| Continue to engage with the Scottish Government and other local authorities to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complied with the 2025 Bio-degradable Municipal Waste Ban | <p>Specialist economic consultants now engaged on an options appraisal exercise to help inform the decision. This is to be reported to September's Economic Development &amp; Infrastructure committee.</p> <p>Update: The options appraisal completed and presented to EDI Committee in December 2022. The Council has formally written to the Scottish Government to request a time limited derogation in the Waste PPP area to September 2026 for the municipal solid waste landfill ban which is due to be implemented on 1 January 2026. The Council has commenced contract discussions with our Waste PPP Contractor regarding landfill ban compliance from 1 January 2026 should the time limited derogation not be granted.</p>                              |
| Enhance reporting of workforce planning to the Strategic Management Team and Elected Members   | <p>ELT have agreed the new draft People Strategy, which will include our workforce planning strategy. This is in the process of being finalised for P&amp;R Committee. Quarterly Health of the Organisation Reports are presented to DMTs, which include information on Workforce Planning - age profile, turnover, vacancies and attendance. A risk based Workforce Planning Matrix is used to prioritise actions and support. This is developed from detailed meetings with managers and presented in a strategic report to SMT. Elected members' new priorities for performance reporting to strategic committees does not include workforce planning, but updates are provided to the Policy Lead regularly on key issues such as recruitment and retention.</p> |



## Appendix 1

### Annual Governance Statement

|   |  |
|---|--|
| <p>Continue to improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management</p> | <p>Contract let and work underway to gather updated asset information for major buildings – new plans being drawn. Estates has continued to improve records with the property measurement contract providing new plans for properties. As part of the asset valuation process Estates are also building up property records and will use the details for the insurance valuation updates to be completed in 2022/23.</p> <p>Update: Valuations for Education properties completed in 22/23. This will be continued for general properties in 2023/24 and will also be beneficial for other projects where floorplans are required at short notice.</p> |
| <p>Adopt the CIPFA Financial Management Code</p>  | <p>This action has been delayed due to resource issues and will be addressed during 2022/23<br/>Completed in February 2023</p>   |

### ISSUES FOR FURTHER DEVELOPMENT

The review of governance and internal control has identified the following areas for consideration during 2023/24, particularly in the context of continuous improvement within the Council:

- Continue to engage with the Scottish Government, other local authorities and our Waste PPP contractor to determine the most efficient and effective way of ensuring the Council can provide a waste solution which complies with the 2025 Bio-degradable Municipal Waste Ban (Head of Roads and Infrastructure Services – March 2024)
- Further enhance reporting of workforce planning to the Strategic Management Team (Head of Customer Support Services – March 2024)
- Continue to Improve quality and accuracy of asset information which will benefit asset valuations, calculations for utilities costs and asset management (Head of Commercial Services – March 2024)
- Develop data/analytics business intelligence tool (Head of Customer Support Services – March 2024)
- Complete review of performance management (Head of Customer Support Services – March 2024)
- Complete the External Quality Assessment Framework (Head of Financial Services – March 2024)

### CONCLUSION

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Argyll and Bute Council's systems of internal control and governance. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects. Systems are in place to regularly review and improve governance and systems of internal control.

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# Local government in Scotland

Overview 2023



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
May 2023

# Who we are

## The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

### **Our work includes:**

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:

[www.audit-scotland.gov.uk/about-us/accounts-commission](http://www.audit-scotland.gov.uk/about-us/accounts-commission)

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# Key messages and recommendations

Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services.

## 1 Finances and resources

Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Councils have had to make significant savings to balance their budgets. Increasingly difficult choices about spending priorities and service provision are having to be made.

### Recommendations:

The **Scottish Government and COSLA** need to take urgent action to finalise the New Deal for local government ([paragraphs 71–73](#)) and agree:

- a new partnership agreement with councils that supports collaboration
- a fiscal framework for local government that supports sustainable funding and greater financial flexibility and transparency.

The **Scottish Government** needs to provide more detailed financial information (eg, breakdown of type of funding and individual council allocations) to support councils longer-term financial planning.

**Councils** need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities.

## 2 Community needs and inequalities

The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas. Councils have a clear focus on tackling inequalities but the extent and impact of needs not being met is unclear. Some communities are facing crisis, with persistently high levels of poverty and increasing financial hardship putting additional pressure on services, at a time when councils have less capacity to support them.

### Recommendations:

- **Councils** should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.
- **Councils** should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.

## 3 Collaboration

The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.

The pandemic demonstrated the benefits of partnership working and shared local goals. This needs to continue. Few councils provide services jointly or share professional support services. Many councils engage well with communities and local partners to better understand local priorities and needs. Now councils must better involve service users and communities, including those with lived experience, as they redesign services.

### Recommendations:

**Councils** need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services
- involving service users and local communities in the redesign of services.

## 4 Leadership

Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Leaders need to be open with their staff, communities and local partners about the difficult decisions ahead and be clear about how change will be achieved. The level of volatility, uncertainty (such as plans for a national care service) and immediate financial pressures make planning and delivering sustainable change more difficult. Ineffective leadership and high turnover identified at several councils, alongside tensions with central government present risks to their ability to make fundamental changes at the pace needed.

### Recommendations:

**Councils' leaders** need to invest time and capacity in thinking radically about their future operating model, and:

- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions
- set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored
- work with the Scottish Government to rebuild an effective relationship.

## 5 Workforce

Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure. Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.

### Recommendations:

**Councils** need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
- updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
  - identifying and addressing skills gaps, at operational and leadership levels
  - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges
  - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed.



# Background

## About this report

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.

This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
  - how has the pandemic affected councils and their performance?
  - what are the current and future challenges facing local government?
  - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

## Web resources



To support improvement, we have developed a set of resources for councils which are available on our [website](#). These resources include two supplements:

- a collection of [case studies](#) to illustrate issues and practice across councils
- a checklist with [questions for elected members](#), to help in their scrutiny and decision-making roles and in their work with council executives.

## Previous reports



This report follows the first two reports in the series:

- [Local government in Scotland: Overview 2021](#) considered councils' response to and management of the initial phase of the Covid-19 pandemic.
- [Local government in Scotland: Overview 2022](#) considered the ongoing impact of the pandemic and councils' progress towards recovery and renewal.

Each year we publish a financial overview. The most recent one, [Local government financial bulletin 2021/22](#), was published in January 2023.

# The impact of the pandemic on councils' performance

Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.

## The pandemic has adversely impacted performance across all service areas and there are signs of growing backlogs, declining performance in some areas and services at capacity

1. In our [Local government in Scotland: Overview 2020](#), we reported that service improvement had begun to stall or even decline as councils dealt with increasingly challenging pressures and long-term reductions in funding. For example:

- performance in many areas of adult social care including delayed discharge, satisfaction and service quality had all slowed or started to decline
- some educational attainment and early years indicators had declined

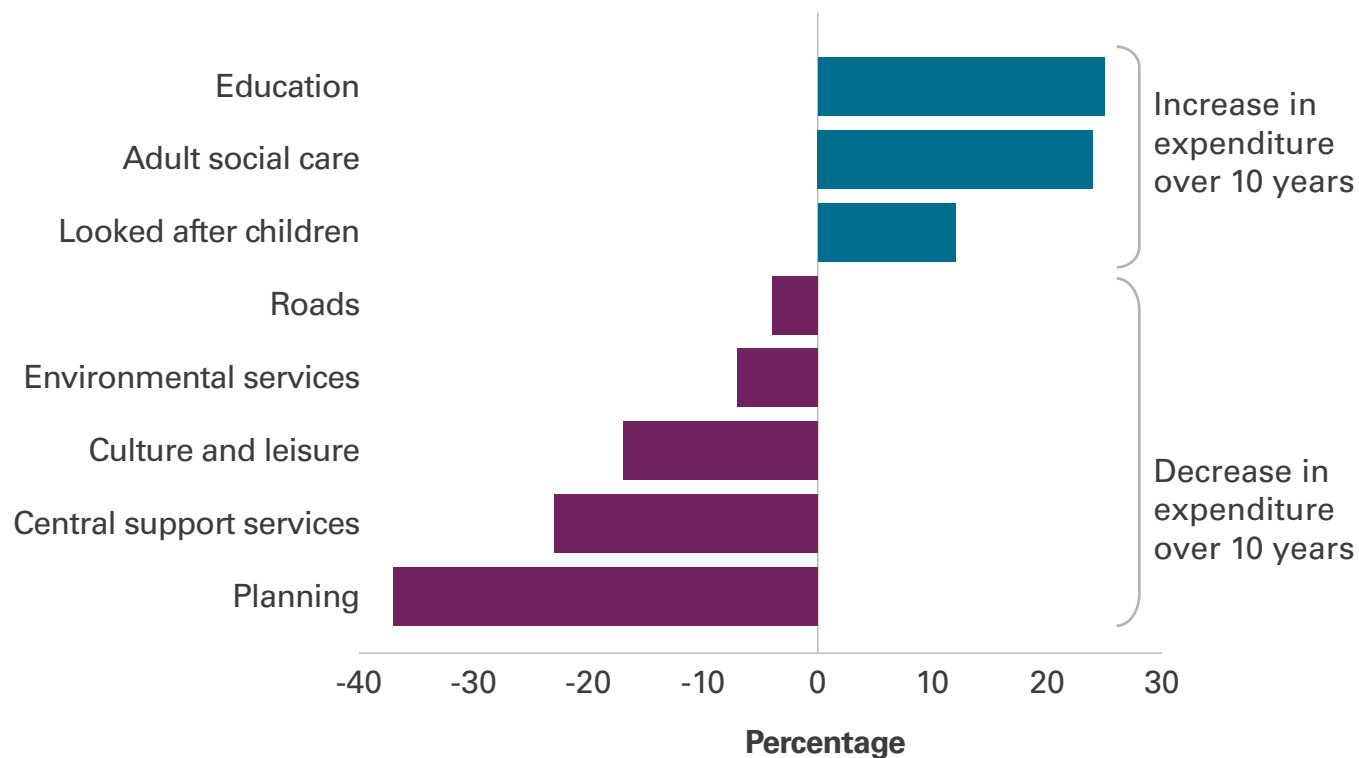
- improvements to recycling levels had stalled and satisfaction with street cleaning and waste collection had reduced
- costs for culture and leisure services had reduced and the number of attendances had increased, but satisfaction had declined across all service areas.<sup>1</sup>

2. Over the last decade, there is a clear divergent pattern of spend. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 1, page 9](#)) and some services entered the pandemic already under pressure.

<sup>1</sup> Local Government Benchmarking Framework 2018/19

## Exhibit 1.

### Percentage change in expenditure (in real terms) over ten years from 2012/13 to 2021/22



Note: Economic development and Tourism services have seen a 43 per cent increase over the period. We have excluded this from the chart as year-to-year expenditure is volatile and there is not a consistent trend in spending over this period.

Source: Local Government Benchmarking Framework, 2021/22





- 3.** Since March 2020, the context councils have been operating in has been unprecedented. While staff worked hard and adapted to maintain the delivery of key services during the Covid-19 pandemic, performance across all services areas was adversely impacted.
- 4.** During the pandemic, councils gave priority to providing essential front-line services to support the most vulnerable. Other services such as culture and leisure were closed for extended periods in line with Scottish Government guidance. Although councils report that all services have restarted, some are not available to the same extent as before the pandemic, and backlogs remain.
- 5.** Councils state that they have a clear understanding of where increased demand and backlogs exist and report on these publicly through committees. We found some good approaches to managing service level demands and backlogs, such as including them in strategic planning and budgeting as well as joint working with local partners.
- 6.** A lack of publicly available data means that we do not know the scale of service demand, backlogs and, in particular, unmet need – and nor does the public. Councils need to be more transparent with the public about the impact of the pandemic, and pressures more widely, on service performance, the extent of backlogs and changes to eligibility criteria necessary to ration access to services.

**7. [Exhibit 2 \(page 11\)](#)** shows Local Government Benchmarking Framework performance indicators two years on from the start of the pandemic but before the recent cost-of-living crisis and inflationary cost pressures. Nationally, performance in some services is showing signs of recovery, eg education, but it is concerning that there are signs of backlogs, declining performance, and systems at capacity in some of the services that will be most in demand during the cost-of-living crisis, eg housing, homelessness and social care.

**8.** Councils can make different policy choices about their service and performance priorities. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

## Exhibit 2.

### Service performance during the covid-19 pandemic against selected Local Government Benchmarking Framework indicators up to 2021/22

| Performance at risk or declining   |   |
|--|---|
| <br><b>Adult social care</b>                    | <p><b>There are signs that the sector is in crisis, with growing backlogs, declining satisfaction and no clear picture of demand or unmet need.</b> Spending increased during the pandemic, continuing the longer-term trend. Homecare hours dropped slightly in 2020/21 before increasing to the highest levels ever recorded in 2021/22. Satisfaction continued to decline, and 2021/22 saw a drop of eight per cent in care services graded 'good' or 'better'.<sup>1</sup> Concerns have been raised about day centres not fully reopening. Delayed discharges, an indicator of capacity in the system, dropped at the start of the pandemic but are now at their highest levels since the current guidance came into place in 2016 (delays due to the non-availability of home care are also at their highest).</p>  |
| <br><b>Housing and homelessness<sup>2</sup></b> | <p><b>Housing performance indicators fell during the pandemic as a result of increasing financial hardship and Covid-19 restrictions limiting access to properties.</b> Loss of income increased from rising rent arrears and voids. Maintenance performance fell. There was a large drop in housing quality in 2021/22 but overall energy efficiency continues to improve. This reflects Covid-19 related delays in carrying out electrical safety inspections, installing smoke and heat detectors, and upgrading work to improve energy efficiency.<sup>3</sup></p> <p><b>During the first year of the pandemic homelessness fell as a result of emergency extra protections but it is rising again.</b> Some councils are not meeting their statutory duties in terms of homelessness. Performance in providing temporary accommodation is worsening, with record levels of children living in temporary accommodation. Social housing supply is insufficient to meet demand.</p> |
| <br><b>Environmental services</b>             | <p><b>Performance declined during the pandemic.</b> Recycling rates fell during 2020/21 and have not recovered. Cleanliness levels continued their long-term decline, especially in councils with the highest levels of deprivation. Against the long-term trend, parks expenditure increased in 2021/22 largely due to reinstatement of works, following reduced expenditure/income in 2020/21 during lockdowns.</p>   |
| <br><b>Culture and leisure</b>                | <p><b>Services were severely affected by the pandemic and future risks are significant.</b> The impact on these services was severe in 2020/21 and into 2021/22 as many facilities closed in accordance with Scottish Government guidelines. This impact can be seen in lower attendances and increased costs per visit: leisure services and museums saw a partial recovery in 2021/22 but library services saw little rebound. With little resilience in these services owing to long-term funding reductions, future challenges are significant. A recent survey of leisure trusts suggests a high risk of closures as a result of inflationary cost pressures.<sup>4</sup></p>  |

Cont.

## Performance mixed or recovering



### Children's services

**Performance during the pandemic was mixed, attainment and progress towards closing the poverty-related attainment gap stalled but has shown some recovery.** Spending increased during the pandemic, continuing the longer-term trend. This was driven by the expansion of early learning provision. Primary schoolchildren's attainment improved in 2021/22 compared with 2020/21 but has not yet recovered to its pre-pandemic level. A similar trend is seen in the poverty-related attainment gap, which narrowed in 2021/22 compared with 2020/21 but remains larger than pre-pandemic. S3 pupils' attainment fell in 2021/22 compared with pre-pandemic, and the attainment gap widened. The improvement in senior secondary school pupils' attainment seen during the pandemic was sustained in 2021/22 when exams resumed, most strongly in councils with high levels of deprivation. It is concerning that the quality ratings of early learning provision continued to decline and developmental concerns for pre-school children have risen.



### Economic development and tourism

**Performance declined during the first year of the pandemic, as activity was refocused on Covid-19 financial support, but shows signs of recovery.** Investment in economic development dropped during 2020/21 before rebounding to its highest level in 2021/22. That period also saw a huge increase in those helped into work by council employability programmes, reversing the previous trend. Councils' support for business start-ups, a measure of investment in wider economic development, fell early in the pandemic but has shown some recovery. Performance is likely to reflect the impact of councils redeploying staff from traditional employability and business support to focus on the distribution of Covid-19 support grants as well as wider uncertainty in the economy, labour shortages and disrupted supply chains.

## Performance maintained



### Corporate services

**Performance dipped slightly but activity significantly increased, as corporate support services had a critical role in delivering Covid-19 grants, supporting financial hardship and facilitating homeworking for councils' workforce.** Spending on the Scottish Welfare Fund and Discretionary Housing Payment rose significantly in 2020/21 and again in 2021/22. Councils processed £72.8 million in self-isolation support grants, mainly in 2021/22.

#### Notes:

Indicators capture national performance before the recent cost-of-living crisis and inflationary cost pressures. The Improvement Service advises that the methodology for measuring satisfaction indicators through the Scottish Household Survey has changed, so we do not have trends available for comparison.

1. Care service quality figures should be interpreted with caution, as the Care Inspectorate states that this may be due to a focus during the pandemic on higher-risk or failing services.

2. Homelessness statistics are not part of the LGBF. Source is Scottish Government homelessness statistics publication.

3. The decrease in performance against housing quality should be interpreted with caution as higher Scottish Housing Quality Standards were introduced in this time period.

4. [Current Landscape for Leisure and Culture Charities in Scotland](#), Community Leisure UK (Scotland), November 2022.

Source: Improvement Service's Local Government Benchmarking Framework 2021/22 and Scottish Government homelessness statistics

9. The impact of the Covid-19 pandemic on performance at a local level varied as these local factors affected the levels of need and demand, and councils' responses and solutions. Councils should use the Local Government Benchmarking Framework (LGBF) alongside local data and intelligence to compare their performance with neighbouring or similar councils to assess the effectiveness of new ways of working and to help inform them where improvements and better outcomes for communities can be achieved ([Case study 1](#)).

10. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all of the services they currently provide without radical change.

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Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

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## Case study 1.

### Use of LGBF data to inform improvement

**South Lanarkshire Council worked collaboratively with the Improvement Service to achieve the most value from the LGBF indicators in a way that helps drive its improvement based on its strategic priorities.**

In December 2021, the Improvement Service provided a bespoke analysis of LGBF indicators for the council, structured around the council's new Connect Plan. Each of the council's services considered which LGBF indicators added value for inclusion in a subset of indicators for future reporting. Of the 95 LGBF indicators available, 33 were identified as aligning with the outcomes of the council's new Connect Plan. These were embedded within the Connect Plan's reporting and used to focus attention on how well the council is performing in achieving its strategic outcomes. The bespoke approach aims to provide greater opportunities for elected members to scrutinise the LGBF within a council specific context and should allow for more meaningful use when making strategic decisions.

Source: [South Lanarkshire Council's annual audit report 2021/22](#)

In March 2023, the Improvement Service launched a newly developed [dashboard](#) that allows councils to explore and analyse all the LGBF performance indicators in an interactive data tool. This is intended to help councils better assess and benchmark their performance.



# What are the current challenges facing local government?

Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.



## Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain.



## Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



## National policies

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.



## Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



## Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.





## Budget constraints and increasing cost pressures are putting councils' finances under severe strain

### Councils' funding has been constrained for many years

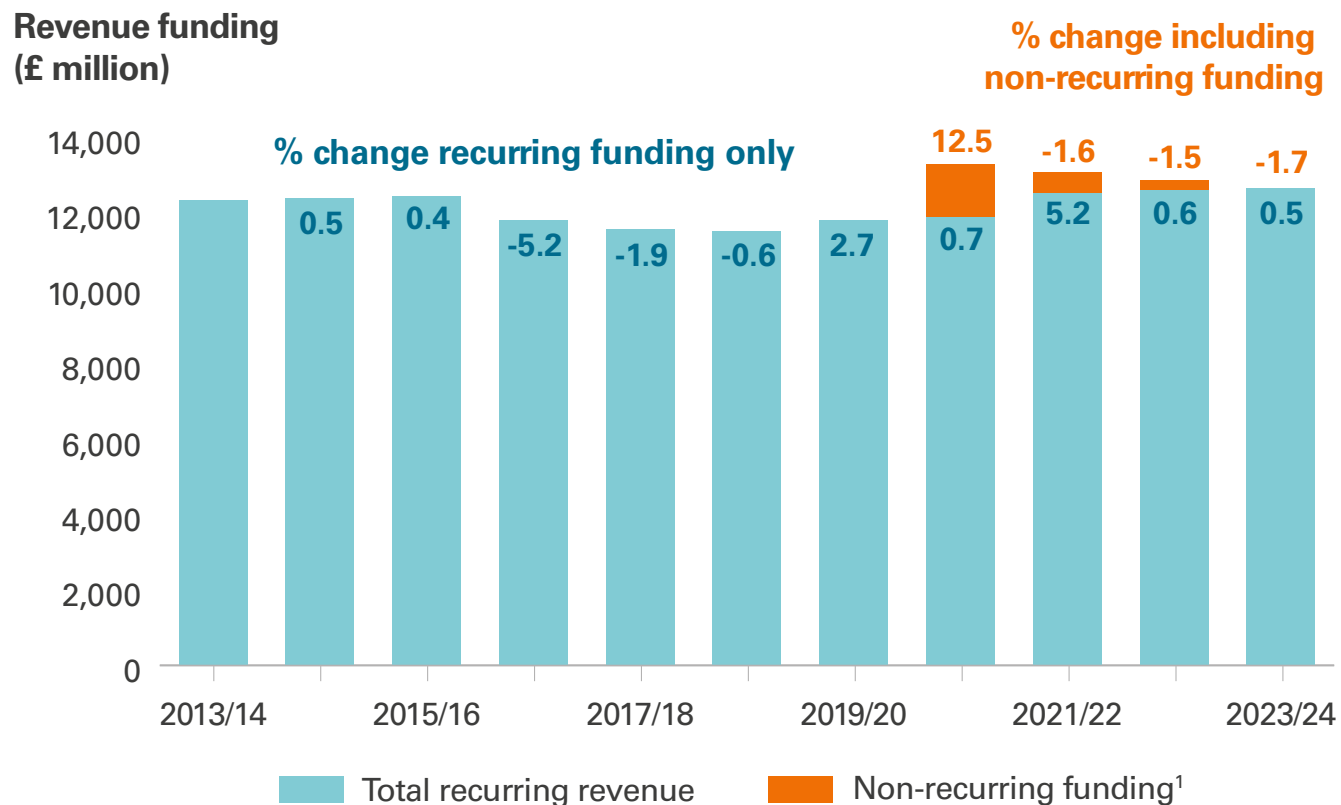
- 11.** Councils receive the majority (over 70 per cent) of their funding from the Scottish Government.
- 12.** [Exhibit 3 \(page 16\)](#) shows funding from the Scottish Government over the last decade. Over this period (comparing 2023/24 to 2013/14), revenue funding to local government has increased by 2.6 per cent in real terms.
- 13.** In 2021/22 (excluding Covid-19 funding elements which are non-recurring) revenue funding from the Scottish Government to councils increased by 5.2 per cent in real terms compared to 2020/21. This increase brought funding back to a level similar to what it was in 2015/16.
- 14.** Total revenue funding saw small real terms increases in both 2022/23 and 2023/24 when non-recurring elements of the settlement are removed.
- 15.** Despite additional Covid-19 funding amounting to £1.8 billion during the first two years of the pandemic, councils continued to face significant financial challenges, requiring substantial savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 16.** An additional pressure is that the funding of local government has not kept pace with other parts of the Scottish budget for many years.
- 17.** Our [Local Government in Scotland: Financial Bulletin 2021/22](#) provides further detail on councils' financial position.

### Funding is forecast to reduce in real terms

- 18.** In May 2022, the Scottish Government published its Resource Spending Review 2022. This is the first multi-year spending plan in Scotland since 2013. It set out high level spending plans up to the end of this parliament in 2026/27, which show that 'core' funding is set to reduce in real terms ([Exhibit 4, page 17](#)).
  - 19.** The recent 2023/24 Scottish Budget allocated £10,933 million 'core' funding to local government for 2023/24 which is higher than what was forecast in May 2022. There was no update on whether future years will also see similar uplifts.
- 
- We expect an updated funding outlook for 2024/25 and subsequent years to be published as part of the Scottish Government's medium-term financial strategy in May 2023.*
- 
- 20.** While a multi-year spending plan is welcome, the financial information within the plan is not sufficiently detailed (nor is it broken down to individual council allocation) to fully support long-term planning purposes.

## Exhibit 3.

### Scottish Government revenue funding to local government (in real terms) and year-on-year percentage change, 2013/14 to 2023/24



Notes:

1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.

2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison. These figures include funding for national policy initiatives and transfers from other portfolios. Figures calculated at 2023/24 prices.

Source: Scottish Local Government Finance Circulars

## Exhibit 4.

### Resource Spending Review financial outlook to 2026/27

The plan projected real-term reductions to 'core' funding for local government.

| (£000s)                | 2023/24             | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|------------------------|---------------------|---------|---------|---------|---------|
| Cash terms             | 10,616 <sup>1</sup> | 10,616  | 10,616  | 10,616  | 10,716  |
| Real terms             | 10,616 <sup>1</sup> | 10,452  | 10,352  | 10,230  | 10,158  |
| Percentage change cash |                     | 0.0%    | 0.0%    | 0.0%    | 0.9%    |
| Percentage change real |                     | -1.5%   | -1.0%   | -1.2%   | -0.7%   |

Notes:

1. Since publication of the Resource Spending Review the 2023/24 Budget has been agreed which saw local government's allocation increased to £10,933 million for that year.

2. These figures represent funding before transfers from other portfolios. Real terms figures calculated at 2023/24 prices.

Source: Audit Scotland using the Resource Spending Review, May 2022 and the Scottish Budget 2023/24

### Increasing cost pressures jeopardise the sustainability of local services

**21.** At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now also having to manage increasing cost pressures including:

- inflationary pressures, including rising energy costs, which are having a significant impact on the cost of providing services
- managing the ongoing recovery from Covid-19 and its longer-term impact, now that one-off Covid-19 funding has ended
- meeting the cost of new pay awards and Real Living Wage
- increasing demand for services from a population that is ageing, less healthy and facing increasing financial hardship
- higher costs of capital programmes as a result of inflation, slippage due to the pandemic and shortages in construction materials. These increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities. We report further on capital pressures in our [Local Government in Scotland: Financial Bulletin 2021/22](#).

**22.** These significant cost pressures alongside forecasted reductions to funding are leading some chief executives to be concerned about the sustainability of councils. This could lead to cuts to services and job losses, particularly in the absence of a radical reform of services.

**23.** A UK-wide survey by the Society of Local Authority Chief Executives (SOLACE) found that 78 per cent of council chief executives and senior managers responding to the survey stated that they were facing a large or very large budget gap in 2023/24.<sup>1</sup> Those services they identified as at risk of cuts included:

- Environmental service (identified by 75 per cent of respondents)
- Libraries, leisure and tourism (67 per cent)
- Regeneration (50 per cent)
- Adult social care (44 per cent)
- Transport (38 per cent)
- Children’s services (37 per cent)
- Housing (33 per cent).

**24.** While there is no doubt that cost pressures and budget constraints are putting pressure on services, there is no clear picture yet of the scale and impact of service cuts or reductions.

### **Councils are relying on reserves to bridge budget gaps**

**25.** In 2022/23 councils’ total budget gap stood at £0.4 billion. COSLA estimates that the budget gap for 2023/24 will be £1 billion. There is a large gap between what COSLA states councils need and the Scottish Government’s funding allocation and it warns this could mean fewer jobs and cuts to services.

**26.** Two-thirds of councils intended to use reserves to bridge the 2022/23 budget gap and target recovery activity. While this is understandable as some of this was Covid-19 funding carried forwards via reserves to spend in the following year, these funds were one-off payments. It is not sustainable to keep using reserves to meet financial pressures.

**27.** It is important that councils maintain overall reserve levels in line with local strategies to ensure longer-term resilience and sustainability. Having robust medium- and longer-term financial plans in place will continue to be key to maintaining financial sustainability. Councils will also need to make difficult choices about spending priorities.

### **Increasingly ring-fenced and directed budgets reduce financial flexibility**

**28.** An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services.

**29.** In our [Local Government in Scotland: Financial Bulletin 2021/22](#), we calculated this to be 23 per cent of total revenue funding in 2021/22 compared to 18 per cent in the previous year. Ring-fenced and directed funding helps support the delivery of key Scottish Government policies but limits local discretion and flexibility over how these funds can be used locally by councils.

**30.** [Exhibit 5 \(page 19\)](#) details how we calculated ring-fenced and directed funding and how the Scottish Government and COSLA interpretations differ.

<sup>1</sup> SOLACE [Autumn statement survey](#), November 2022.

## Exhibit 5.

### Views on ring-fenced or directed elements of the Scottish Government's revenue funding to local government



#### Scottish Government's view

Only the specific revenue grant is formally ring-fenced to fund identified policies. Other funding commitments are directed for national policy commitments but are not formally ringfenced.

In 2021/22, the specific revenue grant was £776 million, representing seven per cent of total revenue funding for local government. This included funding for early learning and childcare expansion, Pupil Equity Fund and criminal justice social work.



#### COSLA's view

Includes the specific revenue grant plus obligations created by current and past Scottish Government policy initiatives and fixed obligations such as loan charges.

In 2021/22, COSLA estimated that these represented 65 per cent of local government revenue funding. As part of their estimate COSLA include all school teaching staff costs (due to the national commitment to maintain teacher numbers), all adult social work costs devolved to IJBs alongside other policies such as universal Free School Meal provision for P1–5.



#### Our calculation

We include the specific revenue grant and funding outlined in local government finance circulars and Scottish Government budget documents as being directed for national policy initiatives.

For 2021/22, we estimated that ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding for local government. A large amount of this was to support elements of education and social care service provision.

Source: [Local government in Scotland: Financial overview 2018/19](#), [Local government in Scotland: financial bulletin 2021/22](#) and information from COSLA including their [submission](#) to the Scottish Parliament's Finance and Public Administration Committee work on The Impact of the Cost of Living and Public Service Reform, August 2022



## Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected

**31.** While the local impact of national demographic trends varies, for many years we have been reporting how changes in the structure of the population affect the need for and demands on many council services. These changes include:

- a declining population that is also ageing, with the proportion aged over 65 projected to increase by a third by mid-2045<sup>2</sup>
- falling life expectancy and falling healthy life expectancy. The gap in healthy life expectancy between the top and bottom socio-economic groups is about 25 years.<sup>3 4</sup>

**32.** The legacy of the Covid-19 pandemic and now the cost-of-living crisis have brought new pressures or exacerbated existing ones ([Exhibit 6, page 21](#)). The situation faced by some is stark, with increasing financial hardship and a decline in levels of mental wellbeing. Low-income households and people already experiencing inequalities are most affected.

**33.** Child poverty remains persistently high. In 2019–22, 24 per cent of children were living in relative poverty, the same level as five years ago.<sup>5</sup> Two issues should be taken into consideration when considering this year's child poverty statistics:

- As noted in our [Tackling child poverty](#) briefing paper the main indicator – relative poverty – is based primarily on income rather than outgoings and so does not fully capture the impact of the cost-of-living crisis on children and families.
- Two key policies that may have a positive impact on child poverty figures – the rollout and increase in value of the Scottish Child Payment and the expansion of funded early learning and childcare to 1,140 hours – are not yet fully captured in the data.

**34.** Councils have a key role in tackling these issues and providing support. These growing pressures affect:

- the demand for services, including social care, education, financial support such as Scottish Welfare Fund grants and discretionary housing payments, housing and homelessness, and employability
- council income in terms of rent and council tax arrears.

**35.** At a time when councils are under severe financial strain, finding the capacity and resources to respond to these pressures in the short and longer term will be a challenge.

<sup>2</sup> [Projected Population of Scotland \(2020-based\)](#), National Records of Scotland.

<sup>3</sup> [Life Expectancy in Scotland, 2019–2021](#), National Records of Scotland.

<sup>4</sup> [Healthy Life Expectancy 2019–2021](#), National Records of Scotland.

<sup>5</sup> [Poverty and Income Inequality in Scotland 2019–22](#), March 2023.

## Exhibit 6. Examples of growing pressures



### Persistently high levels of child poverty

In 2019–22, 24 per cent of children were living in poverty, affecting every aspect of their wellbeing and life chances. This is at the same level as five years ago, and the ongoing increases in the cost-of-living crisis risk more children experiencing poverty.

### Increasing financial hardship for people living with a disability

Sixty-four per cent of respondents to a small survey by Inclusion Scotland in September 2022 said that they are cutting down on or going without items or services used directly to manage their impairment or health condition.

### Increasingly stark situation for low-income families

Almost one in five low-income families are unable to afford food or heating. Eighteen per cent of low-income households have skipped or reduced the size of meals and not heated their home due to the cost-of-living crisis (Poverty in Scotland 2022, Joseph Rowntree Foundation).

### Increasing food insecurity

In 2021, nine per cent of adults were worried about running out of food, six per cent were eating less, and three per cent were running out of food (The Scottish Health Survey, 2021). 45 per cent of children living in poverty live in households that lack food security (2019–22 Child Poverty Statistics).



### Increasing rent arrears

Over 110,000 council tenants were in arrears as of March 2022 (an increase of 6.6 per cent since March 2021).

### Ethnic minority households more likely to experience deeper levels of poverty

Ethnic minority households are likely to spend a greater proportion of their income on essentials that are subject to inflation. The proportion of children in relative poverty after housing costs in minority ethnic households is 39 per cent (2019–22 Child Poverty Statistics).

### Increasing financial hardship for single parent families

Three in five single parents find it extremely difficult or are no longer able to afford utility payments, and two out of five say the same about food (One Parent Families Scotland research, March 2022).

### Declining average levels of mental wellbeing

Levels were lower in 2021 than in 2019, following a decade in which levels had remained fairly constant. Women's average mental wellbeing fell by more than men's during the pandemic, and those people living in more deprived areas continue to report lower wellbeing. The lowest mental wellbeing scores were reported for young adults in the most deprived areas (Scottish health survey, 2021).



## Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty

**36.** Councils have a unique role in shaping local communities. They provide many of the key local services that individuals and communities rely on. They also have a key local and, in many cases, regional role working with partners to set local priorities and improve long-term outcomes for their communities.

**37.** Alongside local priorities, councils play a leading role in delivering many national policies. Current areas of national policy or reform affect nearly every aspect of local government, such as education, early learning provision, tackling child poverty, adult social care and achieving net zero targets.

**38.** These policy initiatives will see fundamental changes in how council services are provided, come with substantial funding implications, and increased uncertainty. National policy initiatives also take up an increasing amount of council budgets which brings challenges in delivering local priorities and sustaining other service areas. This context makes longer-term financial planning challenging yet vital to ensure financial and service sustainability.

### **Plans for the new National Care Service are uncertain and divide opinion**

**39.** The social care sector is under severe pressure from high demand and persistent workforce challenges, and a lack of action now presents serious risks to the delivery of care services for individuals. The [Independent Review of Adult Social Care](#) (IRASC), published in February 2021, sometimes referred to as the Feeley Report, proposed the formation of a National Care Service stating that the potential of social care support

in Scotland cannot be achieved without a new delivery system and that a National Care Service is needed to achieve consistency, drive national improvements, ensure strategic integration with the National Health Service, set national standards and terms and conditions, and bring national oversight and accountability by bringing together everyone with a role to play in planning and providing social care support.

**40.** The National Care Service Bill is at stage 1 but has been postponed until at least September 2023 because of concerns about the adequacy of parliamentary scrutiny based on only a framework Bill. There are still many unknowns. Details of the arrangements have yet to be determined and the scale of the costs involved in the financial memorandum are estimates with many caveats. The affordability of the vision set out is not certain given the actual scale of the costs are not yet clear. It is difficult for councils to plan current services with such uncertainty.

**41.** While there is consensus that fundamental reform is essential for long-term sustainability, there is not agreement about what that reform looks like and how it will be implemented.

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Although local government agrees that reform is necessary, it disagrees that centralising services and structural reform will achieve the improvements needed. While the Scottish Government wants consistency of service across the country, stakeholders have raised concerns about the scale of reform and the time it will take to implement it.

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**42.** Immediate concerns in the sector are that current issues (such as workforce and financial sustainability) in social care are in a critical state and these need addressed now.

**43.** We highlighted in our [Social Care](#) briefing (January 2022) that lessons need to be learned from past restructuring and public service reform, for example health and social care integration, police and fire reform, college sector regionalisation, and the development of social security responsibilities in Scotland.

**44.** Our reports in these sectors have found that reform is challenging, and public bodies have experienced difficulties implementing elements of reform – expected benefits are not always clearly defined and, even if they are, reform does not always deliver the expected benefits, particularly in the short term. Any difficulties in implementing social care reform could have a significant negative impact on vulnerable people who rely on care and support.



#### Our recent reports on other national policy areas:

**Child poverty:** in September 2022 the Accounts Commission and Auditor General for Scotland produced a briefing [Tackling child poverty](#).

**Education:** in March 2023, we published a blog [Encouraging progress on education data but still a long way to go](#).

**Early learning and childcare:** in June 2023 we will publish our third performance audit on the expansion of early learning and childcare.

## Councils have a critical role in meeting national climate change goals

**45.** Councils have a critical role in achieving Scotland’s national climate change goals and contributing towards the national target of net zero by 2045. This includes councils:

- managing their own activities, estates, and assets to reduce their greenhouse gas emissions and achieve net zero – councils’ corporate emissions are the largest element of all public sector emissions in Scotland
- demonstrating leadership to tackle climate change across their local area, supporting behaviour change by helping their communities to adopt low carbon lifestyles and working with local partners to help communities adapt to the impacts of climate change.

**46.** In September 2022 we published [Scotland’s councils’ approach to addressing climate change](#) which set out that there are big differences in the targets that councils have set and their timescales for reaching net zero. We also found that councils need to be more transparent about their targets, their plans to meet them and the challenge ahead. Successfully addressing climate change is a huge challenge and will only be achieved with collaboration across all parts of government and society.

**47.** Financial constraints and a lack of specialist skills risk net zero ambitions not being realised. Failure to act early enough, however, will increase costs in future years. It could also make existing health and social inequalities worse, because the impacts of climate change, such as extreme weather events, can have a disproportionate effect on vulnerable groups and those living in poverty.



# Increasing workforce challenges such as recruitment difficulties and high sickness absence levels are putting councils under continued pressure

48. Staff worked under unprecedented strain during the pandemic to adapt and maintain services and support communities. That same workforce is still under pressure.

49. Despite a focus on wellbeing, overall absence levels for non-teaching staff in 2021/22 were the highest on record ([Exhibit 7](#)). The Improvement Service highlight stress and burn-out as contributing to high absence levels.<sup>6</sup>

50. Recruitment and retention continue to be a challenge in both senior and front-line roles across Scotland as the employment market remains highly competitive ([info box, page 25](#)).

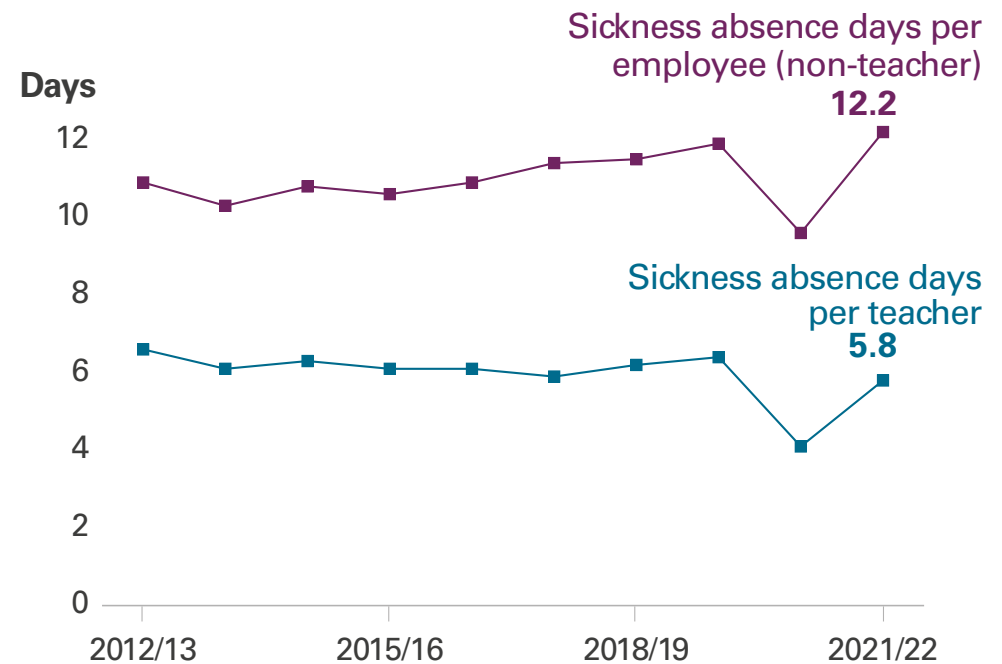
51. In our 2022 [Social care briefing](#), we reported that the sector faced ongoing recruitment and retention challenges, with high vacancy rates. This situation has worsened since, with 47 per cent of services reporting vacancies in 2021 compared with 36 per cent the previous year and 11 per cent across all sectors in Scotland. The whole-time equivalent vacancy rate in 2021 was 8.1 per cent, up from 5.1 per cent the previous year. In comparison, the vacancy rate across all sectors in Scotland was 1.9 per cent.<sup>7</sup> Our briefing highlighted issues such as poor terms and conditions and staff not feeling valued as contributing to these recruitment difficulties.

<sup>6</sup> [National Benchmarking Framework Overview Report 2021–22](#), Improvement Service, March 2023.

<sup>7</sup> Care Inspectorate and Scottish Social Services Council (SSSC), Staff vacancies in care services 2021 report, Scottish Government’s Employer Skills Survey 2020.

## Exhibit 7. Sickness absence levels over ten years from 2012/13 to 2021/22

Staff absence levels (excluding teachers) were the highest ever recorded in 2021/22. Teacher absence levels also increased in 2021/22 but remain lower than pre-pandemic levels.



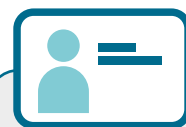
Note: Covid-19 absences are recorded separately and do not contribute to the trends.

Source: Local Government Benchmarking Framework 2021/22

**52.** The Society of Personnel and Development Scotland (SPDS) and the Improvement Service state that councils are also reporting emerging recruitment problems in new areas such as accountancy and corporate services, which may present risks to financial management.

**53.** The cost-of-living crisis, driven by inflationary cost pressures, led to industrial action by refuse workers and teachers over pay. While pay claims increase the pressure on budgets, prolonged negotiations adversely affect staff morale and service delivery.

**54.** Councils showed considerable flexibility in redeploying staff and adopting remote or hybrid working during the pandemic. However, it is still unclear exactly what impact hybrid working has on productivity or future models of service delivery. Recent research undertaken by the Scottish Government on this presents mixed findings.<sup>8</sup> Our recent report [Resourcing the benefit service: A thematic study](#) found that remote working may present a risk to claims processing performance and recommended that councils regularly review flexible location working arrangements to determine the impact on service delivery and performance.



### Reasons for recruitment and retention issues

**Hybrid working has changed the way people work:** they can now work remotely for an organisation in England or further afield. Private sector firms are offering hybrid working and looking to offer further improvements in quality of life.

**Senior roles:** bottom loading pay deals have narrowed the gap between junior and senior roles and made the latter less desirable. Public sector pay at senior levels has not kept pace with other sectors, so staff are leaving for better paid positions.

**Retirement:** the workforce is ageing and people are retiring, but now councils are seeing people retiring earlier.

Source: Audit Scotland using information from the Improvement Service, SPDS and Local Government Information Unit (LGIU)

<sup>8</sup> [Working from home during the COVID-19 pandemic: benefits, challenges and considerations for future ways of working](#), Scottish Government, October 2022



While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high levels of change in senior officers identified at several councils present a risk

**55.** During the Covid-19 pandemic, many councils demonstrated strong collaborative leadership, working at pace with communities, the third sector and partners to provide the response needed. Councils' response was quicker where good partnership arrangements were already in place.<sup>9</sup> Leaders used their local knowledge and set out clear priorities for working towards a common purpose.

**56.** Despite this, the following leadership risks have been identified in recent audit work:

- **Ineffective strategic leadership:** of the four Best Value Assurance Reports (BVARs) completed last year, in three (Moray, Shetland and Eilean Siar) we found that elected members were not demonstrating effective strategic leadership alongside senior management. This included leaders needing to better coordinate and drive forward plans, to have a stronger focus on strategic issues and elected members needing to work better together to deliver priorities.
- **Ineffective governance or scrutiny:** our 2021/22 annual audit work identified leadership risks relating to ineffective leadership in nine councils, often linked to ineffective governance, scrutiny, or both.
- **High levels of turnover:** most councils reported changes in senior leadership during 2021/22. Six chief executive or depute positions saw changes. Recent BVARs highlight that some councils are experiencing persistent difficulties in recruiting to key leadership posts.

**57.** The growing scale of the challenges facing local government requires leaders to make decisive and fundamental changes to how councils will operate in future. The leadership and strategic vision of elected members and senior officers will be crucial. Ineffective leadership and high turnover put at risk councils' leadership capacity to bring about fundamental change at the pace needed.

### **The pandemic and cost-of-living crisis have exacerbated tensions in central and local government relations**

**58.** Effective partnership working between the Scottish Government and local government, built on a foundation of mutual trust, is essential for councils to be able to perform their key role in leading and shaping communities.

**59.** The pandemic and cost-of-living crisis has exacerbated tensions in central and local government relations. While local government demonstrated the positives of localism during the pandemic, and the Scottish Government is committed to local self-governance and community empowerment, local government feels that it should be involved in policymaking as well as implementing those policies at a local level.

**60.** There is appetite to rebuild an effective relationship between local and central government so that the strengths and capacity of both can be maximised to meet the challenges. Meaningful steps to realising these potential benefits would include Scottish Government and COSLA agreeing the New Deal ([paragraphs 71–73](#)).

<sup>9</sup> [Community empowerment: Covid-19 update](#), Audit Scotland, October 2021

# How are councils responding?

Councils must focus urgently on solutions that will deliver a sustainable future for local government.

## Councils need to challenge old ways of doing things and take urgent action to reform






**61.** The scale of the challenge that lies ahead is greater than anything local government leaders (elected members and senior officers) will have ever experienced. Councils must work on three planning horizons: continue to deliver services here and now, identify and make improvements in the short term and plan for the longer-term radical change. This is an incredibly hard thing to do with an exhausted workforce but with councils' future funding position forecast to reduce in real terms, radical change is necessary so that councils can continue to serve their communities, respond to needs, meet demand and improve outcomes for people in the future.

**62.** Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable. A decade on, the four pillars in the Christie Commission report – people, prevention, performance, and partnership – are just as important and councils should embed them into their long-term visions and priorities.<sup>1</sup>

**63.** The Commission recognises the challenges, complexities, and uncertainties that local government faces. In our [Local Government in Scotland 2019](#) report, we emphasised the need for councils to urgently consider making fundamental changes in how they provide

services. No one could have predicted the years that were to follow, nor the pressures that councils would face, yet evidence that councils are delivering radical sustainable reform is limited.

**64.** In this section, we set out how councils are placed to respond to the challenges they face and to move towards adopting a sustainable future model of local government. We consider the following themes:






|   |   |
|---|---|
|    | <b>Finances and resources</b>           |
|    | <b>Leadership</b>                       |
|    | <b>Collaboration</b>                    |
|   | <b>Workforce</b>                        |
|  | <b>Community needs and inequalities</b> |

**65.** To achieve radical change, leaders need to build on the innovative ways of working demonstrated during the pandemic. [Exhibit 8 \(page 28\)](#) draws on lessons learned from the pandemic response based around the five themes above as well as outlining where we judge that more still needs to be done.

<sup>1</sup> [Christie Commission on the future delivery of public services, June 2011](#)

# Exhibit 8.

## Lessons learned from the pandemic and what more needs to be done

|  | The pandemic demonstrated what can be achieved when councils:  | To deliver radical change councils need to build on the innovative ways of working seen during the pandemic and take further action to:   |
|--|--|---|
|  <b>Flexible finances and resources</b>               | <ul style="list-style-type: none"> <li>• are given local flexibility</li> <li>• incorporate digital technology in service redesign</li> <li>• reconfigure or repurpose their estate</li> </ul>   | <ul style="list-style-type: none"> <li>• finalise New Deal for local government</li> <li>• set out medium to long term financial plans</li> </ul>   |
|  <b>Driven Leadership</b>                             | <ul style="list-style-type: none"> <li>• show strong collaborative leadership with clear priorities</li> <li>• use data to understand needs, make decisions and direct resources</li> <li>• are agile and work at pace to provide the response needed</li> </ul> | <ul style="list-style-type: none"> <li>• think radically, set a clear vision and make difficult decisions</li> <li>• improve relations with the Scottish Government</li> <li>• be open with communities and staff about challenges and changes ahead</li> </ul> |
|  <b>Greater Collaboration</b>                        | <ul style="list-style-type: none"> <li>• work with partners, third sector and communities to reshape services and respond to need</li> <li>• work towards common goals</li> <li>• adopt place-based approaches</li> </ul>  | <ul style="list-style-type: none"> <li>• work with other councils and partners to provide joint services</li> <li>• better involve communities in service redesign</li> </ul>   |
|  <b>Resilient workforce</b>                         | <ul style="list-style-type: none"> <li>• adopt new ways of working, including flexibility redeploying staff</li> <li>• focus on physical and mental wellbeing</li> <li>• promote shared values and a caring culture</li> </ul>                                   | <ul style="list-style-type: none"> <li>• make best use of their existing workforce</li> <li>• continue to monitor wellbeing</li> <li>• update workforce plans to reflect future models of service delivery</li> </ul>   |
|  <b>A focus on community needs and inequalities</b> | <ul style="list-style-type: none"> <li>• focus on areas of greatest priority and demand</li> <li>• identify and support the most vulnerable</li> <li>• take a 'whole systems' approach</li> </ul>  | <ul style="list-style-type: none"> <li>• strengthen the use of data and involve those with lived experience</li> </ul>  |



## Councils need to balance immediate financial pressures with planning for and delivering long-term sustainable services

**66.** As the whole public sector faces the most difficult financial outlook seen for many years, councils need to make increasingly difficult choices about their spending priorities and balance short-term pressures with planning fundamental reform to provide long-term financial sustainability.

**67.** In the short term, councils have focused on immediate budget pressures. In our [Local Government in Scotland: Financial bulletin 2021/22](#) we reported that for 2022/23 the majority of the estimated budget gap (that is the gap between anticipated expenditure and revenue) was planned to be bridged by:

- **Recurring savings:** these savings were expected to meet about 37 per cent of the budget gap. For 2021/22 (the most recent year of accounts), councils' savings performance continued to improve but some chief executives and COSLA are concerned that forecasted reductions to funding will mean reductions or cuts in services and job losses.
- **Use of reserves:** two-thirds of councils intended to use reserves to help bridge the gap. This reliance on non-recurring reserves is not sustainable in the medium to long term.
- **Increasing council tax rates:** the Scottish Government lifted the freeze on council tax in December 2021. For 2022/23, the majority of councils increased council tax rates by three percent (in 2023/24, the majority increased rates by five per cent).
- **Use of financial flexibilities:** about four per cent of the gap was expected to be met by councils reprofiling their loans funds repayments by extending the repayment period. This generates one-off savings and is not sustainable in the long term.

- **Increasing income through fees and charges:** the scope for increasing income and the scale that can be achieved is currently limited but options being explored include councils introducing charges for garden waste, a transient visitor levy ('tourist tax') and tariffs for public electric vehicle charging.

**68.** The achievement of recurring savings and a movement away from the reliance and use of non-recurring savings and reserves will be important to ensuring longer-term financial sustainability.

**69.** Councils also need to focus on making increasingly difficult choices about their spending priorities and medium- to long-term financial planning must mature as councils look to make more fundamental change.

**70.** In May 2022, the Scottish Government published the first multi-year resource spending review in Scotland since 2011, outlining its resource spending plans up to the end of this Parliament in 2026/27.

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While welcome, the financial information was not sufficiently detailed for planning purposes, with spending plans expressed at 'level 2' for the four years of the spending review period without individual council allocations indicated.

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## Agreeing the New Deal will be an important step forward

**71.** The May 2022 Resource Spending Review also set out plans to agree a New Deal for local government. The Scottish Government, COSLA and SOLACE are working together to advance this, building on the work of the paused local governance review (which was launched in 2017).

**72.** In its Programme for Government 2022/23 (published in September 2022), the Scottish Government reinforced its commitment to agreeing a New Deal including a fiscal framework for local government. The New Deal was expected to be agreed by April 2023.<sup>2</sup> However, the Cabinet Secretary for Social Justice, Housing and Local Government indicated in January 2023 that it was likely to be delayed by several months.<sup>3</sup> Since then there has been a new First Minister and changes to senior posts in the Scottish Government and COSLA.

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While it is important to get the New Deal right, action is now urgently needed to agree this. Further delays present considerable risks to the wider urgent action that councils need to take.

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**73.** The New Deal is an important step in developing a partnership agreement that supports collaboration and trust, as well as developing a new fiscal framework that supports more certainty of funding, greater transparency and more flexibilities for local government. This should enable councils to better plan their long-term priorities and future service delivery models, and to manage council resources more effectively to deliver them.

<sup>2</sup> [Investing in Scotland's Future: Resource Spending Review](#), Scottish Government, May 2022.

<sup>3</sup> [17 January 2023 Local Government, Housing and Planning Committee](#).



### The New Deal is anticipated to include three elements:

- a partnership agreement with councils
- a fiscal framework to support greater transparency and accountability
- a working group to explore different options for the funding of local government in the future.

### The aims of the New Deal include:

- balancing greater financial flexibility with accountability for delivering national priorities
- increased flexibility in and scope for revenue raising powers, such as the 'tourist tax' and workplace parking levy
- exploring how best to transform the digital administration of the non-domestic rates system
- increasing the flexibility available to councils for existing service concession arrangements, such as PFI- or NPD-funded projects
- a comprehensive capital accounting review.

Source: Audit Scotland using information from the [Scottish Government's Resource Spending Review](#), May 2022 and updates from [Letter from the Cabinet Secretary](#) to the Social Justice, Housing and Local Government, July 2022 and [Committee report](#), Net Zero, Energy and Transport Committee, January 2023.





## Leaders need to invest time and capacity into thinking radically about their councils' future operating model, how it will be achieved and be open with communities and staff

**74.** Leaders (elected members and senior officers) must respond to the immediate pressures while also providing a long-term vision for their local areas and how services will be delivered differently in future. Leaders are vocal about the challenges ahead, and there is an increasingly clear appetite for change. However, the level of uncertainty and volatility faced by councils makes planning for the future more difficult.

**75.** In our Best Value reports on individual councils, we have seen that the quality of leadership and the pace and appetite for change varies. The current challenges may reinforce this gap with the risk that some councils will be left behind. The experience of leading through the pandemic and building on the lessons learned; reducing bureaucracy, working with partners and communities, focusing on the vulnerable, pivoting to digital and using the workforce in flexible ways must be consolidated and built upon.

**76.** In our [2022 report](#), we outlined important leadership principles that enabled councils' response to the pandemic – communication, collaboration, emotional intelligence, data-driven, agile and flexible, culture-focused, and enabling community empowerment. Leaders should draw on these to overcome the challenges now faced.

**77.** The challenging context needs leaders to invest time and capacity into thinking about radical changes to their council's future operating model. It is important that leaders are clear about their long-term policy and performance priorities, are managing council resources effectively to deliver them and are open with communities about what range and levels of services they can expect to receive in future.

**78.** It is important that councils with identified leadership risks develop the leadership skills needed to respond to this complex and uncertain

environment. It is positive that most councils have undertaken an assessment of senior leadership skills and developed action plans to address any skills gaps. High turnover at leadership level presents a risk to delivering change, and councils will need to continue to assess how best to recruit, pay and keep the talent needed.

**79.** Councils have structured induction programmes for new elected members and many also have further training programmes or development opportunities. Several councils have personal development plans to provide bespoke training for elected members ([Case study 2, page 32](#)). Elected members have a crucial role in engaging with their communities to explain future priorities and what that means for services and the local area, and to manage expectations. Many councils have been working on this through participatory budgeting and consultations on spending and service priorities ([Case study 3, page 32](#)).

**80.** Leaders recognise the need to engage with staff and trade unions on the implications of fundamental reforms for the workforce. They also recognise the need to involve them in developing solutions, innovating, and committing to a clear vision and aims for the council, its services, and the way it works with partners, the third sector and communities to make the most of scarce resources in their places. It is recognised, however, that this is particularly challenging in an environment of potential job losses.

Leadership is the focus of the Commission's annual Best Value thematic work this year and will be covered in all council annual audit reports published in Autumn 2023.

## Case study 2. Elected member training and induction

**West Lothian Council** has an elected member development programme, which includes an online structured induction programme. Key topics include climate change, emergency planning and quality assurance procedures. Members are also supported to complete a personal development plan to enable them to identify and discuss specific and individual needs. Members are encouraged to review their role and consider what will help them to improve their performance and develop their knowledge, skills and abilities. This could be through training events, coaching, working with an experienced colleague or project work.

An evaluation of the induction programme was undertaken in July 2022 and positive feedback was received from elected members.

Source: Audit Scotland auditor data return and information from West Lothian Council

## Case study 3. Community budget consultations

**Perth and Kinross Council** asked residents for their views on the council's 2023/24 budget and priorities for the next five years via an online survey accessed through the council's consultation hub. The council also held several in-person and online budget and corporate plan engagement events where communities could voice their views on the proposed new vision for Perth and Kinross. Residents were presented with the council's seven draft priorities and asked whether they agreed that these are the key issues that the council should focus on.

A summary of the responses from the survey and the engagement sessions was included in the report considered by the council when agreeing the corporate plan and budget.

Source: Audit Scotland using information from Perth and Kinross Council



## Councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges

### Collaboration with communities

**81.** Our [2022 overview](#) report outlined how communities were a vital asset in the response phase of the pandemic but that more needed to be done to involve communities and service users in the recovery and the redesign of services. As councils take steps to fundamentally change how they provide services, the involvement of service users and communities will be critical to redesigning services that meet community needs and tackle long-term issues such as climate change and inequalities while also being sustainable.

**82.** Councils regularly consult with their communities to inform decision-making, including on setting annual budgets, redesigning services, and priorities for strategic plans. Reflecting the exceptionally challenging funding context this year, we have seen examples of councils engaging with their communities to explain the gaps in their budget and how they intend to bridge them ([Case study 3, page 32](#)).

**83.** We found good approaches to consulting communities to better understand the impact of the pandemic and inform decision-making on emerging challenges such as community impact assessments, research focused on the impact of the pandemic and establishing lived experience panels for the cost-of-living crisis ([Case study 4](#)).

**84.** Councils could still do more to empower communities and work more with them on the redesign of services. Our [Community empowerment: Covid-19 update](#) report brings together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities.

### Case study 4.

#### Community engagement to better understand community needs and inform decision-making

**East Renfrewshire Council** uses a wide range of consultation and engagement approaches to understand community needs and issues and uses this intelligence to identify local priorities and inform strategic plans and service redesign. For example, it recently commissioned research on the impact of the pandemic to inform strategic decision-making and the redesign of services.

Source: Audit Scotland using information from East Renfrewshire Council

## Collaboration with local partners

**85.** Councils have a good history of working with local partners and a statutory duty to do so through community planning partnerships.

**86.** The Covid-19 pandemic showed what can be achieved by working closely with local partners, including the third sector. Councils led a 'place-based approach' ([info box, page 35](#)) that worked across organisational and functional boundaries with aligned objectives and outcomes. This should now be consolidated into service delivery but there is concern that the momentum could be lost. Many organisations are facing their own funding and demand pressures that could threaten their ability to provide services and limit their capacity to explore new partnership working.

**87.** A recent report exploring barriers to effective collaboration between the third and public sectors identified four main themes: funding, meaningful collaboration, procurement and the cross-cutting issue of lack of trust.<sup>1</sup> All partners need to work with each other to overcome these barriers if councils are going to meet the challenge to deliver sustainable public services going forward.

**88.** Despite the barriers there are many positive examples of collaborative, place-based approaches and existing partnerships for councils to build on ([Case study 5](#)). The scale of the challenges mean that it is only by working together that councils and their local partners (including their communities and the third sector) will be able to provide sustainable public services and tackle long-term complex issues such as climate change, child poverty and inequalities.

<sup>1</sup> [Supporting collaboration between the third and public sectors: evidence review](#), Scottish Government, COSLA, SCVO and TSI Scotland Network, October 2022.

## Case study 5. Local partnership working

### **Clackmannanshire Council works with local public sector partners and relevant third sector partners to deliver the STRIVE (Safeguarding through Rapid Intervention) programme.**

Sharing crucial pieces of information at the earliest opportunity between trusted partners means practitioners are better able to 'join the dots' to understand the overall vulnerability of cases and share knowledge of existing support and interventions underway: this better informs the most appropriate action, reduces the likelihood and impact of people experiencing crisis and reduces the intensive resource required by services. An evaluation of STRIVE was undertaken in March 2021 and identified many benefits including preventing homelessness, improving financial security, providing rapid and direct access to mental health support, keeping families together and reducing alcohol and drug use. Building on the success to date, an early intervention approach has been added to other Family Wellbeing Partnership work in the area.

Source: Audit Scotland using information from COSLA and Clackmannanshire Council

## Collaboration with other councils

**89.** Councils need to radically rethink how they work with other councils to move towards a more sustainable model of service delivery. Shared services and shared professionals offer efficiencies and can help to manage recruitment pressures and skills shortages.

**90.** Councils have made limited progress in this area. Few councils are sharing services. Only six out of 26 councils reported sharing services and four of these were sharing internal auditors ([Case study 6](#)).



**A place-based approach** is about understanding the issues, interconnections and relationships in a place and coordinating action and investment to improve the quality of life for that community. The Scottish Government and COSLA have adopted a Place Principle. This promotes the need for communities, public organisations and businesses to work collaboratively with the assets and services in a place to achieve better outcomes.

### Case study 6. Working with other councils

**Scottish Borders Council and Dumfries and Galloway Council** are working with other regional partners to develop and deliver a south of Scotland regional economic strategy. Through a Regional Economic Partnership, the councils have developed a long-term vision to guide and coordinate efforts to recover from the impacts of the Covid-19 pandemic, adjust to the UK's withdrawal from the EU, address the climate crisis and capitalise on new opportunities.

Source: Audit Scotland using information from Dumfries and Galloway Council and the South of Scotland Regional Economic Partnership



Workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future

**91.** Councils and their leaders need to respond to the direct pressures facing their workforce in terms of wellbeing and recruitment while managing the impact of pay demands and balancing the budget. Councils must invest in workforce planning to ensure a resilient workforce in the future.

**92.** Staff wellbeing was a priority during the pandemic and councils continue to take measures to promote staff health and wellbeing. With rising absence levels and persistent recruitment issues, some councils are looking at making roles more attractive by improving work-life balance through new ways of working ([Case study 7](#)).

**93.** Lessons learned from the pivot to remote working and then hybrid working during the pandemic indicate there are many potential benefits. For example, the flexibility to work remotely attracts more people and from a wider geographic spread, potentially bringing in more skills, it can support increased wellbeing and work life balance for existing staff, as well as reducing the carbon footprint through less travel to work. However, councils should continue to monitor the impact of new ways of working on employees' wellbeing and on service users' experience, productivity, and the local economy.

**94.** In future, councils' workforces may look and work quite differently as a result of job losses (fewer staff), increased digital processes, changing population demographics (an ageing workforce) and new service delivery models. Councils should embed the approaches they took during the Covid-19 pandemic which saw them adapt to working flexibly and being agile in how they deployed staff and working more closely with partners and communities.

## Case study 7. Wellbeing initiatives

**Angus Council** runs a resilience programme to promote staff wellbeing and a programme for leaders is in development.

**Dumfries and Galloway Council** has created a robust wellbeing framework that includes cross-council and cross-sector collaboration.

**North Lanarkshire Council** updated its wellbeing communications to reflect new working practices and is also working closely with partners and providers to make sure the council's wellbeing offering meets staff needs.

**South Lanarkshire Council** has developed a 'New Deal for Employees' which encourages and supports employees to prioritise their own health and wellbeing. South Lanarkshire Council is the first in Scotland to ensure employees have the 'right to disconnect' outside of working hours.

[More information](#) is available on our website.

Source: Audit Scotland using information from the Improvement Service

**95.** The severe financial situation facing councils inhibits their ability to recruit and brings the risk of job losses. To meet rising demand and to deliver new Scottish Government policies, councils need to innovate to make the best use they can of their existing workforce to continue to provide sustainable services.

**96.** Effective workforce planning will be essential to:

- address current workforce challenges in recruitment, retention and skills shortages
- look ahead at longer-term capacity and skills requirements as councils fundamentally change how they deliver services
- ensure that councils reduce their workforce in an informed way so that skills and knowledge are not lost.

This requires sufficient capacity and skills, strategic thinking and comprehensive workforce data. See Audit Scotland’s workforce planning maturity matrix ([Exhibit 9](#)).

**97.** For several years we have reported that workforce planning needs to improve. Our auditors have told us that 16 out of 26 councils have updated their workforce plans since the Covid-19 pandemic and a further three have plans in development. Some councils have also been working to include succession planning in their workforce plans to develop future leaders or specific skills required across their workforce. Some are also now working with a three-year, rather than five-year, workforce planning cycle reflecting the more uncertain context.

**98.** However, councils continue to report that they lack the resources to support workforce planning, and that they are looking at ways to try and address this. Councils have been collaborating with one another, the Improvement Service and SPDS to share practice and to make improvements. The SPDS has suggested that COSLA have a role in engaging with the Scottish Government to develop a more holistic approach.

**99.** Workforce planning is the focus of the Commission’s annual Best Value thematic work next year and will be covered in all council annual audit reports published in Autumn 2024, followed by a national thematic report.

## Exhibit 9. Workforce planning maturity matrix

| Basic   | Developing   | Mature   |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Short-term operational focus</li> <li>• Limited workforce data and analytics</li> <li>• Workforce plan not linked to priorities and delivery of strategic plans</li> </ul> | <ul style="list-style-type: none"> <li>• Medium-term focus</li> <li>• Aligned to delivering priorities</li> <li>• Workforce and recruitment plans</li> <li>• Some workforce analysis</li> <li>• Annual review</li> </ul> | <ul style="list-style-type: none"> <li>• Long-term focus on strategic priorities</li> <li>• Workforce and market analysis</li> <li>• Recruitment, development, retention and succession included in workforce planning</li> <li>• Workforce plans reflect new ways of working and scenario planning of future models service delivery and demands</li> <li>• Real time monitoring including of performance levels and staff wellbeing</li> </ul> |

Source: Audit Scotland



## Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes

**100.** Councils have a clear focus on tackling inequalities. We found evidence of data-driven approaches, partnership working, and community engagement being used to understand community needs and to develop plans and programmes to target inequalities and poverty. Positive findings include councils:

- setting up specific committees focusing on tackling poverty and inequalities ([Case study 8, page 39](#))
- working with partners, especially community planning partnerships, to understand need and develop place-based plans to tackle inequalities
- involving people with lived experience to better understand needs and demand.

**101.** Using lessons learned from the pandemic, councils have moved quickly to offer support to people in their communities most affected by the cost-of-living crisis. Many councils are working closely with third sector partners to help distribute crisis grants and provide support and funding to third sector partners directly to increase their support work. Some exceptional data-driven approaches are being used to identify and offer support to those most in need ([Case studies 9 and 10, page 39](#)).

**102.** Data can help councils to understand need, inform decision-making and service redesign, and drive improvement. Making better use of local data is still challenging especially the availability of equalities data and data sharing. Councils should supplement national datasets with local data and insight. Information from Scotland's Census 2022 is expected later in 2023 and should provide a valuable source of intelligence.

**103.** While we are seeing the emergence of some positive approaches to involving people with lived experience to better understand their needs, councils can do more ([Case study 4, page 33](#)). As councils take steps to radically change how they deliver services, the needs of the most vulnerable or people living in poverty must be at the centre. A key objective from the Christie Commission is that reform should 'prioritise prevention, reduce inequalities and promote equality'. While the pressures facing councils are immediate, they must not lose the focus on prevention and improving outcomes in the long term. A loss of preventative services will increase demand in the long term.

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### 'Children growing up in poverty are at risk of poorer outcomes in the short and longer term'

#### [Tackling child poverty](#)

Accounts Commission and Auditor General for Scotland

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#### Digital exclusion

**104.** The Covid-19 pandemic accelerated the shift to online services. While essential during the pandemic to allow the continued delivery of some services, the shift has increased the risk of digital exclusion. Councils have a variety of initiatives to reduce digital exclusion, such as working alongside the third sector to develop place-based approaches to reducing digital exclusion via library services or providing devices with internet access.

**105.** Digital technology will be a central component of future service delivery. Councils need to understand the needs of people experiencing digital exclusion and develop strategies to ensure that no one is left behind. We are currently undertaking a performance audit on digital exclusion. Our findings will be published later this year.



## Case study 8. An approach to tackling inequalities

**Aberdeen City Council** has set up an anti-poverty and inequality committee to determine steps the city can take and to help key groups such as children, disabled people, women, people from black and ethnic minority communities, and those of pensionable age. The committee will also seek the views of those with lived experience and consider in-work poverty, youth employability, community food provision and energy costs. Several external advisers have been appointed to the committee. The expected benefits of the new committee include centralising all poverty and inequalities information which should allow elected members to thoroughly scrutinise reports, question council managers and directors and engage with the external advisers.

Source: Audit Scotland using information from Aberdeen City Council

## Case studies 9 and 10. Supporting vulnerable communities

**Inverclyde Council's** Warm Hand of Friendship initiative was set up to help ensure that spaces, resources, advice and support are available throughout the council area for those who need them. Working with its partners and voluntary organisations, the council offers warm spaces or hubs and have delivered more than 400 activity sessions for adults and children such as book clubs and classes on IT skills. This has resulted in over 3,500 people being provided with a warm space, food and social interaction. Two thousand 'Warm Boxes' packed with useful items such as tea bags and blankets to help the most vulnerable keep comfortable throughout the winter were also distributed free to people receiving homecare support in Inverclyde.

Source: Audit Scotland using information from Inverclyde Council

**Glasgow City Council:** last year we reported on the council's innovative approach of using administrative data to identify and target resources at the most vulnerable communities during the pandemic. The council has continued this approach to target resources at those most affected by the cost-of-living crisis. The council distributed gift cards worth £105 to 85,000 to households who receive council tax reductions. They have also used data to identify people potentially eligible for Attendance Allowance and other benefits and used this provide an income maximisation service to clients over the age of eighty. Over the last year, 571 clients have been contacted by the service and over £1 million of financial gains have been secured on behalf of clients.

Source: Audit Scotland using information from Glasgow City Council

See our [website](#) for more examples of councils' approaches to reducing inequalities and better understanding the impact cuts have on people experiencing inequality.

# Local government in Scotland

## Overview 2023

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## 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 |
|---|--|------------|
| <b>15 June 2023</b>   | <b>Reports to Committee Services by 22 May 2023</b>    |            |
| 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<br><br><i>To include Client Funds Update (Exempt Item)</i> | Chief Internal Auditor                                 | Quarterly  |
| 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     |
| Internal Audit 2022/23 Annual Report  | Chief Internal Auditor                                 | Annual     |
| Review of Code of Corporate Governance  | Governance, Risk and Safety Manager                    | Annual     |
| Audit Strategy Memorandum   | 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 – Overview 2023  | Audit Scotland   | Annual     |
| <b>14 September 2023</b>  | <b>Reports to Committee Services by 21 August 2023</b> |            |
| 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  |

## Audit & Scrutiny Committee Work Plan 2022 – 2023

|   |  |           |
|---|--|-----------|
| External Audit Update Report  | Mazars   | Quarterly |
| Verbal Update by Chair(s) of Scrutiny Panel   | Chair and Vice Chair of Audit & Scrutiny Committee       | Quarterly |
| External Audit 2022/23 Management Report  | Mazars   | Annual    |
| 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    |
| Local Government in Scotland Overview 2022  | Mazars   | Annual    |
| Counter Fraud Annual Update (End of 2 year pilot)   | Chief Internal Auditor                                   | Annual    |
| <b>19 December 2023</b>   | <b>Reports to Committee Services by 24 November 2023</b> |           |
| 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"> <li>• Early Years</li> <li>• Heritage Assets</li> </ul> | 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 |
| Waste Strategy Update   | Head of Roads and Infrastructure Services                | One-off   |
| <b>14 March 2024</b>  | <b>Reports to Committee Services by 19 February 2024</b> |           |

## Audit & Scrutiny Committee Work Plan 2022 – 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 |
| 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 2024/25 Plan                                      | Chief Internal Auditor                             | Annual    |
| External Audit – 2023/24 Annual Plan                             | Mazars   | Annual    |
| 2022/23 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    |

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